



# California

Forms & Instructions

# 3805Z

2001

Enterprise Zone Business Booklet

**This booklet contains:**

**Form FTB 3805Z**, Enterprise Zone Deduction and Credit Summary

Members of the Franchise Tax Board

Kathleen Connell, Chair  
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STATE OF CALIFORNIA  
FRANCHISE TAX BOARD

# Instructions for Enterprise Zone Businesses — Form FTB 3805Z

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1998**, and to the California Revenue and Taxation Code (R&TC).

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## What's New

### Forms

For the 2001 tax year, a new form is available for nonresidents and part-year residents: Short Form 540NR, California Nonresident or Part-year Resident Income Tax Return. The Short Form 540NR is for nonresident and part-year resident taxpayers who have limited income sources and deductions. The Form 540NR name has been changed to Long Form 540NR, California Nonresident or Part-year Resident Income Tax Return. References to the Form 540NR in this booklet mean the Long Form 540NR.

For taxable years beginning on or after January 1, 2001 and before January 1, 2003, farmers are allowed a deduction for losses sustained due to Pierce's Disease and its vectors. This loss may create an NOL, which is allowed to be carried forward for nine years at 100%. The NOL may be deducted only from income apportioned to the area affected by Pierce's Disease using a two-factor formula. For more information, see form FTB 3805D.

### Expired and Extended Zones

The city of Lynwood portion of the Los Angeles, Mid – Alameda Corridor Enterprise Zone (EZ) expired on October 14, 2001. Generally, no further EZ incentives can be generated after the expiration date for taxpayers. See each incentive for a discussion on how each incentive expires.

Any EZ credit carryover or EZ net operating loss carryover can continue to be utilized to

the extent of business income apportioned to the former EZ, or portion thereof.

The following EZs (geographic area), or portion thereof, set to expire on October 14, 2001 have been extended by the California Technology, Trade and Commerce Agency until October 14, 2006.

Enterprise Zone	Original Expiration	Extended Expiration
Bakersfield/Kern – (SE Bakersfield)	10/14/01	10/14/06
Calexico	10/14/01	10/14/06
Eureka	10/14/01	10/14/06
Fresno	10/14/01	10/14/06
Los Angeles – Central City	10/14/01	10/14/06
Los Angeles – Mid-Alameda Corridor	10/14/01	10/14/06
(Note: The city of Lynwood expired on 10/14/01)		
Los Angeles – Northeast Valley	10/14/01	10/14/06
Porterville	10/14/01	10/14/06
Sacramento – Northgate	10/14/01	10/14/06
San Bernardino/ Riverside (Agua Mansa)	10/14/01	10/14/06
San Diego Metro – SE Barrio Logan	10/14/01	10/14/06
San Jose	10/14/01	10/14/06
Yuba/ Sutter	10/14/01	10/14/06

### Basis Adjustment

For purposes of recapturing the business expense deduction, regulations 17267.2 and 24356.7 were adopted January 1, 2001. These regulations provide that as of the first day of the taxable year in which a recapture event occurs, the basis of the qualified property shall be increased by the recapture amount. The increase in basis is depreciated over the remaining useful life of the qualified property.

## General Information

California has established four types of economic development areas (EDAs) that have related tax incentives:

- Enterprise Zones (EZ);
- Local Agency Military Base Recovery Areas (LAMBRA);
- Manufacturing Enhancement Areas (MEAs); and
- The Targeted Tax Area (TTA).

A business may qualify for special deductions and credits if it operates or invests in a trade or business located within the geographical boundaries of one of these EDAs.

California statutes require the Franchise Tax Board (FTB) to provide information to the California Legislature and the California Technology, Trade, and Commerce Agency (TTCA) regarding the number of businesses using the EDA tax incentives, types of EDA tax incentives being used, and in which EDAs the businesses are claiming the tax incentives.

Complete items A through J on form FTB 3805Z, Side 1, Enterprise Zone Deduction and Credit Summary, as applicable. This information will be used to meet the FTB's statutory reporting requirement. See page 27.

For information about:

- The LAMBRA tax incentives, get FTB 3807, Local Agency Military Base Recovery Area Business Booklet;
- The MEA hiring credit, get FTB 3808, Manufacturing Enhancement Area Business Booklet; or
- The TTA tax incentives, get FTB 3809, Targeted Tax Area Business Booklet.

If you are an employee in an EZ, get form FTB 3553, Enterprise Zone Employee Credit.

### Federal/State Conformity

In general, California law conforms to the Internal Revenue Code (IRC) as of January 1, 1998. However, there are continuing differences between California and federal law. California has not conformed to most of the changes made to the IRC by the federal Internal Revenue Service Restructuring and Reform Act of 1998 (Public Law 105-206) and the Ticket to Work and Work Incentives Improvement Act of 1999 (Public Law 106-170). California has not conformed to any of the changes made by the Tax and Trade Relief Extension Act of 1998 (Public Law 105-277), the Miscellaneous Trade and Technical Corrections Act of 1999 (Public Law 106-36), the FSC Repeal and Extraterritorial Income Exclusion Act of 2000 (Public Law 106-519), the Consolidated Appropriations Act of 2001 (Public Law 106-554), and the Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16).

## A Purpose

Use this booklet to determine the correct amount of deductions and credits that a business may claim for operating or investing in a trade or business within an EZ. Complete the worksheets in this booklet for each deduction or credit for which the business is eligible. Then enter the total deductions and credits on form FTB 3805Z.

## B How to Claim Deductions and Credits

To claim any EZ deduction or credit, the business **must attach** a completed form FTB 3805Z to its California tax return.

**Attach a separate form FTB 3805Z for each EZ business you operate or invest in that is located in an EZ.**

- For corporations that operate a business in an EZ, complete all the worksheets except for Worksheet V, Section C to report credits and deductions incurred.
- For sole proprietors that operate a business in an EZ, complete all the worksheets to report credits and deductions incurred.

- For trusts, estates, partnerships and LLCs that are classified as partnerships that operate in an EZ, complete Worksheet I through Worksheet IV, Worksheet V, Section A, and form FTB 3805Z, Side 1 to report credits and deductions incurred.
- Individual investors receiving pass-through EZ credits or the business expense deduction, complete Worksheet V, Section C, Worksheet VII, and form FTB 3805Z, Side 1. All other investors complete Worksheet V, Section A, Worksheet VII, and form FTB 3805Z, Side 1.
- Individual investors receiving a pass-through loss, and having an overall net operating loss, complete Worksheet V, Section C, Worksheet VI, Section A and/or C, and form FTB 3805Z, Side 1. All other investors complete Worksheet V, Section B, Worksheet VI, Section B and/or C, and form FTB 3805Z, Side 1.

To assist with the processing of the tax return, indicate that the business operates or invests within an EZ by doing the following:

- Form 540 filers:** Claim EZ tax incentives on Form 540, line 14, and line 28, as applicable.
- Form 540NR filers:** Claim EZ tax incentives on Form 540NR, line 14, and line 37, as applicable.
- Form 100 filers:** Claim EZ tax incentives on Form 100, line 15, line 21, and line 25 through line 27, as applicable.
- Form 100S filers:** Claim EZ tax incentives on Form 100S, line 12, line 19, and line 23 through line 25, as applicable.
- Form 100W filers:** Claim EZ tax incentives on Form 100W, line 15, line 21, and line 25 through Line 27, as applicable.
- Form 109 filers:** Check the "Yes" box for question G (EZ, LARZ, LAMBRA, MEA, or TTA) on the top of Form 109, Side 1.

**Note:** Keep all completed worksheets and supporting documents for your records.

## C Important Considerations

EZ tax incentives apply **only** to investments and business activities undertaken within the EZ **after** the zone receives final designation and before the designation expires.

### Expansion

This requirement also applies to any expansion of the existing EZ boundaries. Thus, a business in the expanded area is eligible for the tax incentives only after the expansion receives final designation.

## D Geographic Boundaries

The geographic boundaries of an EZ are used to determine whether tax incentives are available to a business in a specified location. Further information about the geographic boundaries of an EZ, Form TCA EZ1 (EZ,

LAMBRA, and Targeted Tax Area Hiring Voucher), or other information related to the EZ tax incentives is available from:

ENTERPRISE ZONE PROGRAMS  
CALIFORNIA TECHNOLOGY, TRADE AND  
COMMERCE AGENCY  
801 K STREET SUITE 1700  
SACRAMENTO CA 95814  
Telephone: (916) 324-8211  
FAX: (916) 322-7214  
Website: [www.commerce.ca.gov](http://www.commerce.ca.gov)

If your business is located within and outside an EZ, see Part V for information on how to apportion income.

## E Enterprise Zone Designation

EZs were established in California to stimulate development in selected economically depressed areas. The EZ Act provides special tax incentives for entities and individuals who operate or invest in a business located within a designated EZ.

Businesses operating within an EZ do not need to receive prior approval to take advantage of these special tax incentives. However, to take advantage of the hiring credit, a completed Form TCA EZ1 **must** be obtained from the local agency responsible for verifying employee eligibility. Do not file Form TCA EZ1 with your return. For more information, get FTB Pub. 1047, Guidelines for Enterprise Zone Tax Incentives (see page 31, Where to get Tax Forms and Publications), or call the TTCA at (916) 324-8211.

Portions of the following areas were officially designated by the TTCA as EZs on the dates shown below. EZ designations are valid for 15 years.

Enterprise Zone	Designated Date	Expiration Date
Altadena/Pasadena	04/10/92	04/09/2007
Anetelope Valley	02/01/97	01/31/2012
Bakersfield/Kern (SE Bakersfield)	10/15/86	10/14/2006
Calexico	10/15/86	10/14/2006
Coachella Valley	11/11/91	11/10/2006
Delano	12/17/91	12/16/2006
Eureka	10/15/86	10/14/2006
Fresno	10/15/86	10/14/2006
Kings County	06/22/93	06/21/2008
Lindsay	10/06/95	10/05/2010
Long Beach	01/08/92	01/07/2007
Los Angeles — Central City	10/15/86	10/14/2006
Los Angeles — East Side	01/11/88	01/10/2003
Los Angeles — Harbor Area	03/04/89	03/03/2004
Los Angeles — Mid-Alameda Corridor	10/15/86	10/14/2006
(Note: The city of Lynwood expired on 10/14/01)		
Los Angeles — Northeast Valley	10/15/86	10/14/2006
Madera	03/03/89	03/02/2004
Merced/Atwater	12/17/91	12/16/2006
Oakland	09/28/93	09/27/2008
Oroville	11/06/91	11/05/2006
Pittsburg	01/11/88	01/10/2003
Porterville	10/15/86	10/14/2006
Redding/Anderson (Shasta Metro)	11/06/91	11/05/2006
Richmond	03/02/92	03/01/2007
Sacramento — Army Depot	10/04/94	10/03/2009
Sacramento — Florin/Perkins	04/05/89	04/04/2004
Sacramento — Northgate	10/15/86	10/14/2006

San Bernardino/Riverside (Agua Mansa)	10/15/86	10/14/2006
San Diego — San Ysidro/Otay Mesa	01/28/92	01/27/2007
San Diego — SE Barrio Logan	10/15/86	10/14/2006
San Francisco	05/28/92	05/27/2007
San Jose	10/15/86	10/14/2006
Santa Ana	06/08/93	06/07/2008
Shafter	10/04/95	10/03/2010
Siskiyou County (Shasta Valley)	06/22/93	06/21/2008
Stockton	06/22/93	06/21/2008
Watsonville	05/01/97	04/30/2012
West Sacramento	01/11/88	01/10/2003
Yuba/Sutter	10/15/86	10/14/2006

## F Forms Table

The titles of forms referred to in this booklet are:

Form 100	California Corporation Franchise or Income Tax Return
Form 100S	California S Corporation Franchise or Income Tax Return
Form 100W	California Corporation Franchise or Income Tax Return — Water's-Edge filers
Form 109	California Exempt Organization Business Income Tax Return
Form 540	California Resident Income Tax Return
Form 540NR	California Nonresident or Part-Year Resident Income Tax Return
Form 541	California Fiduciary Income Tax Return
Form 565	Partnership Return of Income
Form 568	Limited Liability Company Return of Income
Schedule CA (540)	California Adjustments — Residents
Schedule CA (540NR)	California Adjustments — Nonresidents or Part-Year Residents
Schedule P	Alternative Minimum Tax and Credit Limitations
Schedule R	Apportionment and Allocation of Income
FTB Pub. 1061	Guidelines for Corporations Filing a Combined Report
Schedule C (100S)	S Corporation Tax Credits
Schedule K-1 (100S)	Shareholder's Share of Income, Deduction, Credits, etc.
Schedule K-1 (541)	Beneficiary's Share of Income, Deductions, Credits, etc.
Schedule K-1 (565)	Partner's Share of Income, Deductions, Credits, etc.
Schedule K-1 (568)	Member's Share of Income, Deductions, Credits, etc.

## Instructions for items A through J

For corporations, estates, trusts, partnerships, LLCs classified as partnerships, exempt organizations, and sole proprietors who operate businesses in an EZ, complete items A through J.

Investors of pass-through entities, complete items A through D. See page 27.

## Instructions for Principal Business Activity (PBA) Code Chart and the Long Beach Enterprise Zone

The FTB implemented the new Principal Business Activity (PBA) code chart that is based on the North American Industry Classification System (NAICS), 1997 Edition. The PBA codes are listed on page 24 through page 26. However, for purposes of qualifying for the Long Beach Enterprise Zone hiring credit only, refer to page 23 for a list of qualified Standard Industrial Classification (SIC) codes. The PBA and NAICS codes cannot be used. Do not enter the PBA code from your state or federal tax return.

For the Long Beach Enterprise Zone, enter the SIC code of the establishment that qualifies you to take this credit on form FTB 3808, Side 1. If your enterprise has more than one establishment, and if more than one of the establishments qualifies you to take this credit, enter the SIC code that best represents your primary qualifying establishment

### Part I Hiring Credit

For employers engaged in a trade or business in a former (expired) EZ, the hiring credit can be taken for qualified employees hired on or before the date of expiration of the EZ for the full five-year period of the hiring credit. However, the hiring credit may not be taken for any employees hired after the date of expiration of the EZ. Hiring credit carryovers may still be claimed to the extent of business income apportioned to the former EZ, or portion thereof, until fully utilized.

Employers engaged in a trade or business within an EZ may claim the hiring credit for a qualified employee. A qualified employee is an individual who:

- Was hired after the EZ received its final designation and before the designation expires. (see General Information E, Enterprise Zone Designation);
- Spends at least 90% of work time for the qualified employer on activities directly related to the conduct of a trade or business located within an EZ;
- Performs at least 50% of the work for the qualified employer within the boundaries of the EZ; **and**
- Was an employee who qualified for the former program area hiring credit **or** was at the time of hire:
  1. A person receiving or eligible to receive subsidized employment, training, or services funded by the federal Job Training Partnership Act (JTPA) or its successor;
  2. A person eligible to be a voluntary or mandatory registrant under the Greater Avenues for Independence Act of 1985 (GAIN) or its successor;
  3. A member of a targeted group as defined in the federal Work Opportu-

nity Tax Credit (as in effect January 1, 1998, in IRC Section 51).  
**Note:** These employees must be hired for taxable years beginning on or after January 1, 1998.

4. An economically disadvantaged individual 14 years of age or older;
5. A qualified dislocated worker;
6. A disabled individual eligible for, enrolled in, or who completed a state rehabilitation plan;
7. A service-connected disabled veteran;
8. A veteran of the Vietnam era;
9. A veteran who recently separated from military service;
10. An ex-offender;
11. A person eligible for, or a recipient of:
  - Federal Supplemental Security Income (SSI) benefits;
  - Aid to Families with Dependent Children (AFDC);
  - Food stamps; or
  - State and local general assistance.
12. A Native American; or
13. A resident of a targeted employment area (TEA).

For additional information, refer to the Federal Job Training Partnership Act (JTPA) or its successor, the Workforce Investment Act (WIA).

Employers hiring qualified employees **must** get Form TCA EZ1 from the local agency responsible for verifying employee eligibility. Contact the local EZ coordinator for more information on the local agency and verification process.

The percentage of wages used to compute the credit depends on the number of years the employee works for the employer in the EZ. The applicable percentage begins at 50% and declines 10% for each year of employment. After the fifth year of employment, no credit can be generated.

Wages that qualify for the hiring credit are those wages paid to a qualified employee for the consecutive 60-month period beginning on the first date the employee commenced employment with the employer. For an employer that operates a business that has regularly occurring seasonal or intermittent employment decreases and increases, reemployment of an individual is not a new hire; rather, it is a continuation of the prior employment and does not constitute commencement of employment for the qualified wages test.

The credit is based on the smaller of the following:

- The actual hourly rate paid or incurred by the employer for work performed by the employee during the taxable year; or
- **150% of the minimum hourly wage** established by the Industrial Welfare Commission.

Where the California minimum wage is higher than the federal minimum wage, the California minimum wage is used for purposes of computing the EZ hiring credit.

Effective January 1, 2001, the established minimum wage is \$6.25 per hour. Effective January 1, 2002, the minimum wage is increased to \$6.75 per hour. For purposes of computing the EZ hiring credit, 150% of the minimum wage is \$9.37 per hour (\$10.12 beginning January 1, 2002).

#### Example:

John Anderson was hired January 1, 2001. John's hourly rate for month 1 was \$7.00. At the beginning of month 2, his hourly rate increased to \$8.00. For month 3, John's hourly rate increased to \$10.00. The hourly rate that qualifies for the credit is limited to 150% of the minimum wage, or \$9.37 per hour for 2001.

Month(s)	Hours x per month	Hourly = rate	Qualified wages per month
1	175	\$7.00	\$1,225.00
2	170	8.00	\$1,360.00
3	170	9.37	\$1,592.90

**Long Beach Enterprise Zone.** For taxable years beginning on or after January 1, 1996, the percentage of wages on which the hiring credit is based increased for taxpayers **engaged in aircraft manufacturing activities** (described in Codes 3721, 3724, 3728, and 3812 of the Standard Industrial Classification Manual, 1987 Edition, published by the United States Office of Management and Budget). See page 23 for a list of qualified SIC codes. Qualified wages for purposes of the hiring credit for such aircraft manufacturers located in the Long Beach Enterprise Zone, **for up to a maximum of 1,350 qualified employees**, are based on the smaller of:

- The actual hourly rate paid or incurred by the employer for work performed by the employee during the taxable year; or
- The rates (based on the time qualified wages are paid or incurred) which represent **202% of the minimum hourly wage**.

Effective January 1, 2001, the established minimum wage is \$6.25 per hour. Effective January 1, 2002, the minimum wage is increased to \$6.75 per hour. For purposes of computing the EZ hiring credit, 202% of the minimum wage is \$12.62 per hour (\$13.63 beginning January 1, 2002).

#### Example:

John Anderson was hired January 1, 2001. John's hourly rate for month 1 was \$9.00. At the beginning of month 2, his hourly rate increased to \$11.00. For month 3, John's hourly rate increased to \$14.00. The hourly rate that qualifies for the credit is limited to 202% of the minimum wage, or \$12.62 per hour for 2001.

Month(s)	Hours x per month	Hourly = rate	Qualified wages per month
1	175	\$ 9.00	\$1,575.00
2	170	11.00	\$1,870.00
3	170	12.62	\$2,145.40

**Record Keeping.** Retain a copy of Form TCA EZ1 to substantiate an individual's



eligibility as a “qualified employee.” In addition, for each qualified employee, keep a schedule for the first 60 months of employment showing (at least):

- Employee’s name;
- Date the employee was hired;
- Number of hours the employee worked for each month of employment;
- Smaller of the hourly rate of pay for each month of employment or 150% (or 202%, if applicable) of the minimum wage;
- Location of the employee’s job site and duties performed;
- Records of any other federal or state subsidies received for hiring the qualified employee; and
- Total qualified wages per month for each month of employment.

## Instructions for Worksheet I — Hiring Credit & Recapture

### Section A – Credit Computation

**Line 1, column (a)** – Enter the name of each qualified employee. Attach additional schedule(s) if necessary.

**Line 1, column (b) through column (f)** – Enter in the appropriate columns the qualified wages paid or incurred during the taxable year to each employee listed in column (a).

**Example:** If you are a 2001 calendar year taxpayer and you hired an employee on 6/1/00, on the 2001 worksheet, you would enter the total qualified wages paid to the employee for the period beginning 1/1/01 and ending 5/31/01 in column (b). You would enter the total qualified wages paid to the employee for the period beginning 6/1/01 and ending 12/31/01 in column (c).

(a) Employee name	(b) 1st 12 months	(c) 2nd 12 months
John Doe	Amount of qualified wages earned from 1/1/01 to 5/31/01.	Amount of qualified wages earned from 6/1/01 through 12/31/01.

The qualified wages from 6/1/00 to 12/31/00 were put in column (b) on the 2000 worksheet.

**Note:** The credit computation is based on a 12 month period beginning with the employee’s hiring date.

**Line 2, column (b) through column (f)** – Add the amounts in each column.

**Line 3, column (b) through column (f)** – Multiply the total in each column of line 2 by the percentage in each column.

**Line 5** – The following credits reduce the EZ hiring credit in the taxable year these credits are accrued. Use the following worksheet to determine the amount to enter on this line.

Credit	Amount
1 LAMBRA Hiring Credit . . . . .	1 _____
2 Federal Work Opportunity Tax Credit (as in effect January 1, 1998, in IRC Section 51) for individuals hired before July 1, 1998 . . . . .	2 _____

3 Total: Add line 1 and line 2.  
Enter on Worksheet I,  
Section A, line 5 . . . . . 3 \_\_\_\_\_

#### Line 6

A. For partnerships and LLCs classified as partnerships, enter the amount from line 6 on form FTB 3805Z, Side 1, Part I, line 1a. Include the current year hiring amount on Forms 565 and 568, Schedule K, line 14 and the distributive share of the credit to partners and members on Schedule K-1, line 14. In addition, add the entire amount of the credit on Schedule K, line 1, column (c).

B. For corporations, individuals, estates, and trusts, enter the amount from line 6 on form FTB 3805Z, Side 2, Worksheet VII, as follows:

- Part II, line 8B, column (b) for corporations, individuals, estates, and trusts;
- Part III, line 10, column (b) for S corporations; or
- Part IV, line 12, column (b) for corporations and S corporations subject to paying only the minimum franchise tax.

#### Credit Limitations

- Businesses must reduce any deduction for wages by the amount of the hiring credit.
- S corporations are allowed only 1/3 of the EZ hiring credit by operation of law. S corporations must reduce their wage deduction by 1/3 of the amount on Worksheet I, Section A, line 6. Make the wage deduction adjustment on Form 100S, line 7. In addition, S corporations must add back the entire amount of the credit on Form 100S, Schedule K, line 1, column (c).

**Example:** In 2001, an S corporation qualified for a \$3,000 EZ hiring credit. S corporations can claim only 1/3 of the credit ( $\$3,000 \times 1/3 = \$1,000$ ). Therefore, the S corporation must reduce its wage deduction by \$1,000. On Form 100S, Schedule K, line 1, column (c), the S corporation would add \$3,000 to the S corporation’s ordinary income or loss to reflect the credit passed through to the shareholder(s).

- The amount of hiring credit claimed may not exceed the amount of tax on the EZ business income in any year. Use Worksheet VII on Side 2 of form FTB 3805Z to compute the credit limitation.
- In the case where the wage expense qualifies the business to take the EZ hiring credit as well as the LAMBRA, MEA, or TTA hiring credit, the business may claim only one credit.
- The business may carry over any unused hiring credit to future years until the credit is exhausted. In the case of an S corporation, 2/3 of the credit is lost and the remaining 1/3 can be carried over if it cannot be used in the current year.

For additional information about the treatment of credits for S corporations, see Part VII.

### Section B – Credit Recapture

The employer must recapture the amount of credit attributable to an employee’s wages if the employer terminates the employee at any time during the longer of:

- The first 270 days of employment (whether or not consecutive); or
- 90 days of employment plus 270 calendar days.

Employers of seasonal employees must recapture the amount of credit attributable to a seasonal employee’s wages if the employer terminates employment before the completion of 270 days of employment during the 60-month period beginning the day the employee commences employment with the employer.

A “day of employment” means any day for which the employee receives wage compensation (including a paid sick day, holiday, or vacation day).

The employer must add to the current year’s tax the amount of credit claimed in the year of termination and all prior years in which the credit was claimed for the terminated employee.

**Note:** The credit recapture does not apply if the termination of employment was:

- Voluntary on the part of the employee;
- In response to misconduct of the employee;
- Caused by the employee becoming disabled (unless the employee was able to return to work and the employer did not offer to reemploy the individual);
- Carried out so that other qualified individuals could be hired, creating a net increase in both the number of qualified employees and the number of hours worked; or
- Due to a substantial reduction in the employer’s trade or business operations.

**Line 1, column (a)** – Enter the name of the terminated employee. Attach additional schedule(s) if necessary.

**Line 1, column (b)** – Enter the amount of credit recapture for each employee listed in column (a).

**Line 2** – Enter the amount from line 2, column (b) on form FTB 3805Z, Side 2, Part VI, line 6.

Also, include the amount of hiring credit recapture on your California tax return or schedule as follows:

- Form 100, Schedule J;
- Form 100S, Schedule J and Schedule K-1 (100S), line 23;
- Form 100W, Schedule J;
- Form 109, Schedule K;
- Form 540, line 36;
- Form 540NR, line 45;
- Form 541, line 21b and Schedule K-1 (541), line 11e;
- Form 565, Schedule K, line 22 and Schedule K-1 (565), line 22; or
- Form 568, Schedule K, line 22 and Schedule K-1 (568), line 22.

Indicate that you included the hiring credit recapture on your tax return by writing "FTB 3805Z" in the space provided on the schedule or form.

Partnerships and LLCs classified as partnerships must identify the recapture amounts for

their partners and members on Schedule K-1 (565 or 568).

S corporation shareholders must recapture the portion of credit that was previously claimed, based on the terminated employee's

wages. S corporations must also identify the recapture amount for shareholders on Schedule K-1 (100S). This amount will differ from the amount recaptured by the S corporation on Form 100S, Schedule J.

## Worksheet I Hiring Credit & Recapture — Enterprise Zones

### Section A Credit Computation

Qualified wages paid or incurred for year of employment					
(a) Employee's name	(b) 1st year	(c) 2nd year	(d) 3rd year	(e) 4th year	(f) 5th year
1					
2 Total. See instructions					
3 Multiply line 2 by the percentage for each column. See instructions	.50	.40	.30	.20	.10
4 Add the amounts on line 3, column (b) through column (f)					4
5 Enter the total amount of 2001 California and federal jobs tax credits allowed. See instructions					5
6 Subtract the amount on line 5 from the amount on line 4 and enter the result here. See instructions					6

### Section B Credit Recapture

(a) Terminated employee's name	(b) Recapture amount
1	
2 Total amount of credit recapture. Add the amount in column (b). See instructions for where to report on your California tax return	2

## Part II Sales or Use Tax Credit

For taxpayers engaged in a trade or business in a former (expired) EZ, the sales or use tax credit may be taken on qualified property purchased and placed in service on or before the expiration date of the EZ. However, property purchased or placed in service after the expiration date of the EZ does not qualify for the sales or use tax credit. Sales or use tax credit carryovers may still be claimed to the extent of business income apportioned to the former EZ, or portion thereof, until fully utilized.

**Individuals, estates, trusts, partnerships, and LLCs classified as partnerships** may claim an annual credit equal to the sales or use tax paid or incurred to purchase the first \$1 million of qualified property. **Corporations** may claim an annual credit equal to the sales or use tax paid or incurred to purchase the first \$20 million of qualified property. Individuals who are S corporation shareholders may claim their allocable share of pass-through credit to the extent the S corporation paid or incurred sales or use tax to purchase the first \$1 million of qualified property. See the example in the third column of this page.

Qualified property is machinery or machinery parts used to:

- Manufacture, process, fabricate, or otherwise assemble a product;
- Produce renewable energy resources; or
- Control air or water pollution.

In addition, qualified property is:

- Data processing and communications equipment including, but not limited to, computers, computer-automated drafting systems, copy machines, telephone systems, and fax machines; and
- Motion picture manufacturing equipment central to production and postproduction, including but not limited to, cameras, audio recorders, and digital image and sound processing equipment.

The business must use the property **exclusively** within the boundaries of the EZ. Also, the qualified property must be purchased and placed in service after the EZ received its designation and before the EZ designation expires.

The use tax paid or incurred on purchases of property outside California qualifies for the credit only if property of a comparable quality and price was not available in California at the time it was purchased.

### Leased Property

The sales tax paid or incurred on qualified property being purchased using a financial (conditional sales) contract qualifies for the sales or use tax credit.

To determine whether the lease qualifies as a purchase rather than a true lease, see Revenue Ruling 55-540, 1955-2 C.B. 39 and FTB Legal Ruling 94-2, March 23, 1994.

### Credit Limitations

- The amount of sales or use tax credit claimed may not exceed the amount of tax on the EZ business income in any year.
- For each item of qualified property physically located in a portion of the EZ that overlaps with a portion of the TTA, the taxpayer may claim only one credit (e.g., the EZ sales or use tax credit or the TTA sales or use tax credit) for that item of property. However, the taxpayer may claim the manufacturers' investment credit and the EZ sales or use tax credit for the same item of property. In this case, the EZ sales or use tax credit must be computed first, reduce the basis of the property by the EZ sales or use tax credit and then the manufacturer's investment credit is computed on the remaining basis.

- Any unused credit may be carried over and applied against the tax on EZ business income in future years until exhausted. In the case of an S corporation, 2/3 of the credit is lost and the remaining 1/3 can be carried over if it cannot be used in the current year.

For additional information about the treatment of credits for S corporations, see Part VII.

**Depreciation.** Any taxpayer that claims this credit cannot increase the basis of the qualified property with respect to the sales or use tax paid or incurred in connection with the purchase of qualified property.

To compute the difference between California and federal depreciation, use the following forms and schedules:

- Form 100 filers – FTB 3885, Corporation Depreciation and Amortization;
  - Form 100S filers – Schedule B (100S), S Corporation Depreciation and Amortization;
  - Form 100W filers – FTB 3885, Corporation Depreciation and Amortization
  - Form 109 filers – Form 109, Schedule J, Depreciation.
- Note:** Exempt trusts use FTB 3885F, Depreciation and Amortization;
- Form 540 and Form 540NR filers – FTB 3885A, Depreciation and Amortization Adjustments;
  - Form 541 filers – FTB 3885F, Depreciation and Amortization;
  - Form 565 filers – FTB 3885P, Depreciation and Amortization; or
  - Form 568 filers – FTB 3885L, Depreciation and Amortization.

**Record Keeping.** To support the sales or use tax credit claimed, keep all records that document the purchase of the qualified property, such as the sales receipt and proof of payment. Additionally, keep all records that identify or describe:

- The property purchased (such as serial numbers, etc.);
- The amount of sales or use tax paid or incurred on its purchase;
- The location where it is used; and
- If purchased from a manufacturer located outside California, records to substantiate

that property of comparable quality and price was not timely available for purchase in California at the time the purchase was made.

**Example:**

XYZ Inc., an S corporation, purchases qualified property for \$20 million (\$20 m.). The sales tax rate is 6% (.06) and the entity-level tax rate is 1.5%.

The credit allowed to XYZ Inc. and the depreciable basis of the qualified property for XYZ Inc. are figured as follows:

		Depreciable basis
Qualified property	\$20 m.	\$20 m.
Sales tax paid (\$20 m. x .06)	1.2 m.	+1.2 m.
Sales or use tax credit allowed XYZ Inc.	1.2 m.	(1.2 m.)
Depreciable basis of qualified property for XYZ Inc.		\$20 m.
Credit allowed to offset the entity-level tax (\$1.2 m. x 1/3)	\$0.4 m.	

XYZ Inc. has two 50% shareholders. The credit passes through to the shareholders and the depreciable basis of the qualified property for the shareholders are figured as follows:

		Depreciable basis
Qualified property (purchased by XYZ Inc.)	\$20 m.	\$20 m.
Sales tax (paid by XYZ Inc.)	1.2 m.	+1.2 m.
Maximum qualified costs for sales or use tax credit	1 m.	
Sales or use tax credit allowed the shareholders (\$1 m. x .06)	.06 m.	(.06 m.)
Depreciable basis of qualified property for the shareholders		\$21.14 m.
Total amount of credit passed through to the shareholders	\$0.06 m.	

**Note:** Each shareholder is allowed a \$30,000 (.06 m. ÷ 2 = .03 m.) sales or use tax credit.

## Instructions for Worksheet II — Sales or Use Tax Credit

**Line 1, column (a)** – List the items of qualified property purchased during the year. For each item, provide the location (street address and city) of its use. Attach additional schedule(s) if necessary.

**Line 1, column (b)** – Enter the cost of the property listed in column (a).

**Line 1, column (c)** – Enter the amount of sales or use tax paid or incurred on the property listed in column (a).

**Line 2, column (b)** – Add the amounts in line 1, column (b).

**Caution:** This amount cannot exceed \$1 million for individuals, estates, trusts, partnerships, or LLCs classified as partnerships or \$20 million for corporations per taxable year. When computing the amount of credit to pass through to S corporation shareholders, use \$1 million limitation.

**Line 2, column (c)**

A. For partnerships and LLCs classified as partnerships, enter the amount from line 2, column (c), on form FTB 3805Z, Side 1, Part I, line 1b. Also, include the current year sales or use tax credit amount on Forms 565 and 568, Schedule K, line 14 and the distributive share of the credit to partners and members on Schedule K-1 line 14.

B. For corporations, individuals, estates, and trusts, enter the amount from line 2, column (c) on form FTB 3805Z, Side 2, Worksheet VII, as follows:

- Part II, line 9B, column (b) for corporations, individuals, estates, and trusts;
- Part III, line 11, column (b) for S corporations; or
- Part IV, line 13, column (b) for corporations and S corporations subject to paying only the minimum franchise tax.

**Caution:** Only the sales or use tax paid on the cost of qualified property up to the limitations on column (b), may be claimed as a credit. (S corporations may report only 1/3 of this amount.)

### Worksheet II Sales or Use Tax Credit — Enterprise Zones

	(a) Property description and location	(b) Cost	(c) Sales or use tax
1			
2	Total the amounts in column (b) and column (c). See instructions	2	

## Part III Business Expense Deduction

For taxpayers engaged in a trade or business in a former (expired) EZ, the business expense deduction can be claimed on qualified property, placed in service on or before the expiration of the EZ. The business expense deduction is not available for assets placed in service after the expiration date of the EZ, regardless of the purchase date.

Businesses conducting a qualified trade or business within an EZ may elect to treat 40% of the eligible cost of qualified property as a business expense rather than a capital expense. For the year the property is placed in service, the business may deduct the eligible cost in the current year rather than depreciate it over several years.

**Note:** The EZ business expense deduction is not allowed for estates or trusts.

**Qualified property** is any recovery property that is Internal Revenue Code (IRC) Section 1245 property, which includes, but is not limited to, tangible personal property (excluding buildings) and most equipment and furnishings acquired by purchase after the EZ received its designation and before the designation expires for exclusive use within an EZ. Office supplies and other small nondepreciable items are not included.

The maximum aggregate cost of the qualified property against which the 40% deduction may be claimed in any taxable year is determined by the number of taxable years that have elapsed since the EZ received its final designation. See General Information E, Enterprise Zone Designation, for the designation and expiration dates.

The maximum aggregate cost is:

Taxable year of designation . . . . .	\$100,000
1st taxable year after designation . .	\$100,000
2nd taxable year after designation . .	\$75,000
3rd taxable year after designation . . .	\$75,000
Each remaining taxable year after designation . . . . .	\$50,000

**Note:** For businesses located in the expansion area of an EZ, the amount of the deduction is determined by using the original EZ designation date.

**Election.** The business must elect to treat the cost of qualified property as a business expense in the year the property is first placed in service. However, the EZ business expense deduction is not allowed if the property was:

- Transferred between members of an affiliated group;
- Acquired as a gift or inherited;
- Traded for other property;
- Received from a personal or business relation as defined in IRC Section 267 or 707(b); or
- Described in IRC Section 168(f).

The EZ business expense deduction must be claimed by making an election on the original return filed, and thus cannot be claimed on an

amended return. Such an election cannot be revoked without the written consent of the FTB.

A husband and wife filing separate returns may each claim 50% of the allowable deduction. In the case of a partnership, the dollar limitation applies to the partnership and to each partner.

**Depreciation.** If the business elects to deduct the amount computed in Worksheet III, Section A, as a business expense, the depreciable basis of the property must be reduced by the deduction.

Subtract the amount claimed as a business expense from the basis or cost of the property and depreciate the remaining basis or cost.

Normal depreciation is allowed on the cost of the property in excess of the expensed amount, starting with the taxable year following the taxable year the property was placed in service.

Corporations may not claim the additional first-year depreciation allowed under R&TC Section 24356 on any item of property if any portion of it was deducted as a business expense. All other taxpayers cannot claim the deduction allowed under IRC Section 179 on any item of property if any portion of it was deducted as a business expense.

To compute the difference between California and federal depreciation, use the following forms and schedules:

- Form 100 filers – FTB 3885, Corporation Depreciation and Amortization;
- Form 100S filers – Schedule B (100S), S Corporation Depreciation and Amortization;
- Form 100W filers – FTB 3885, Corporation Depreciation and Amortization
- Form 109 filers – Form 109, Schedule J, Depreciation;
- Form 540 and Form 540NR filers – FTB 3885A, Depreciation and Amortization Adjustments;
- Form 565 filers – FTB 3885P, Depreciation and Amortization; or
- Form 568 filers – FTB 3885L, Depreciation and Amortization.

### Instructions for Worksheet III — Business Expense Deduction & Recapture

#### Section A – Deduction Computation

**Line 2, column (a)** – Enter a description of the property and the location (street address and city) of its use. Attach additional schedule(s) if necessary.

**Line 2, column (b)** – Enter the cost of the property listed in column (a).

**Line 5** – Enter the amount from line 5, column (b) on form FTB 3805Z, Side 1,

Part II, line 2, and on your California tax return or schedule as follows:

- Form 100, line 15;
- Form 100S, line 12, Form 100S, Schedule K, line 8 and Schedule K-1 (100S), line 8;
- Form 100W, line 15;
- Form 109, Part II, line 24;
- Schedule CA (540), column B, on the applicable line for your business activity;
- Schedule CA (540NR), column B, on the applicable line for your business activity;
- Form 565, Schedule K, line 9 and Schedule K-1 (565), line 9; or
- Form 568, Schedule K, line 9 and Schedule K-1 (568), line 9.

**Note:** If filing Form 540 or Form 540NR, indicate that you are claiming the business expense deduction by writing “FTB 3805Z” above the dotted line to the left of the amount entered on Form 540, line 14 or Form 540NR, line 14.

#### Section B – Deduction Recapture

The deduction is subject to recapture (added back to income) if, before the close of the second taxable year after the property was placed in service, the property is sold, disposed of, or no longer used exclusively in the EZ trade or business.

**Income Adjustment:** Add to current year income the amount previously deducted for the property.

**Basis Adjustment:** As of the first day of the taxable year in which the recapture event occurs, the recapture amount is added back to the basis of the property in the year of recapture and then depreciated over the remaining life of the qualified property.

**Line 1, column (a)** – Enter a description of the property. Attach additional schedule(s) if necessary.

**Line 1, column (b)** – Enter the amount of the business expense deduction claimed for each property listed in column (a).

**Line 2** – Enter the total on form FTB 3805Z, Side 2, Part VI, line 7, and on your California tax return or schedule as follows:

- Form 100, line 15, as a **negative** amount;
- Form 100S, line 12, as a **negative** amount, Form 100S, Schedule K, line 6 and Schedule K-1 (100S), line 6;
- Form 100W, line 15, as a **negative** amount;
- Form 109, Part I, line 12;
- Schedule CA (540), column C, on the applicable line for your business activity;
- Schedule CA (540NR), column C, on the applicable line for your business activity;
- Form 565, Schedule K, line 7 and Schedule K-1 (565), line 7; or
- Form 568, Schedule K, line 7 and Schedule K-1 (568), line 7.



**Note:** If filing Form 540 or Form 540NR, indicate that you are recapturing the business expense deduction by writing "FTB 3805Z" above the dotted line to the left of the amount entered on Form 540, line 16 or Form 540NR, line 16.

**Example:**

XYZ Inc. purchased a property on June 1, 1999 that qualified the corporation to take the EZ business expense deduction. The property was purchased for \$10,000 and had a useful life of five years. XYZ Inc.'s tax year ends December 31 of each year. The corporation had a business expense deduction of \$4,000 for the tax year ending 12/31/99 on the property.

Assume the corporation disposes of the property or no longer uses the property in the EZ on August 5, 2001. The property was placed in service in 1999. The first year after the property was placed in service was the 2000 tax year. The second year after the property was placed in service was the 2001 tax year. Since the property was disposed of or no longer used in the EZ before the end of the second year (12/31/01) after the year the property was placed in service, the business expense deduction (\$4,000) must be added to income in the 2001 tax year. If the property was disposed of or no longer used in the EZ after 12/31/01, there would have been no recapture.

**Situation 1**

Assume on 8/5/01 the corporation sells the asset. To compute the gain or loss on the sale, the basis of the asset is increased by the recapture amount of \$4,000.

**Situation 2**

Assume on 8/5/01 the corporation discontinues using the property in the EZ, but does not sell the asset. To compute depreciation on the asset, the recapture amount is added to the remaining basis of the asset, and depreciation is then computed over the remainder of the useful life of the asset. Assuming straight line depreciation is used, the corporation will recognize \$2,833 (\$8,500/3) in depreciation expense in 2001. The \$8,500 is arrived at by adding the \$4,000 recapture amount to the \$4,500 remaining basis as of 12/31/00.

**Worksheet III Business Expense Deduction & Recapture — Enterprise Zones**

**Section A Deduction Computation**

**1** The maximum aggregate deduction:

- Taxable year of designation, enter \$40,000;
- 1st taxable year after designation, enter \$40,000;
- 2nd taxable year after designation, enter \$30,000;
- 3rd taxable year after designation, enter \$30,000;
- Each remaining taxable year after designation, enter \$20,000 .....

<b>1</b>	
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The designation dates are listed in General Information E, Enterprise Zone Designation.

	(a) Property description and location	(b) Cost
<b>2</b>		
<b>3</b>	Total. Add the amounts in line 2, column (b) .....	<b>3</b>
<b>4</b>	Multiply line 3 by 40% (.40) .....	<b>4</b>
<b>5</b>	Enter the smaller of line 1 or line 4. This is the maximum amount deductible as a business expense for this EZ. See instructions .....	<b>5</b>

**Section B Deduction Recapture**

	(a) Property description	(b) Recapture amount
<b>1</b>		
<b>2</b>	Total recapture amount. Add the amounts in column (b). See instructions .....	<b>2</b>

## Part IV Net Interest Deduction for Lenders

For taxpayers investing in an expired EZ, the net interest deduction is allowed for interest payments received on or before the expiration date of the EZ.

A deduction from income is allowed for the amount of net interest received from loans made to a trade or business located within an EZ.

**Net interest** is defined as the full amount of interest received, less any direct expenses incurred in making the loan. Examples of direct expenses include, but are not limited to:

- Commissions paid to a loan representative;
- Costs incurred in funding the loan; and
- Other costs of the loan.

Types of loans that qualify for this deduction include business loans, mortgages, and loans from noncommercial sources. The following requirements must be met to qualify for the deduction:

- The loan must be made to a trade or business located solely within an EZ;

- The money lent must be used strictly for the borrower's business activities within the EZ;
- The lender may not have an equity or other ownership interest in the borrower's trade or business; and
- The loan must be made after the EZ was designated and before the designation expires.

In addition, the following annual requirements apply:

- Borrower must continue business activities in the EZ; and
- Payment must be received before the EZ expires.

**Example:** You lend \$5,000 to an EZ business that meets the requirements listed above. You receive \$550 in interest and incur \$300 in expenses directly related to the loan. You may deduct \$250 (\$550 - \$300) of net interest from your taxable income.

**Record Keeping.** You should maintain records for each loan showing (at least):

- The identity and location of the trade or business to which you lent the money;
- The amount of the loan, interest received, and any direct expenses associated with the loan; and
- The use of the loan.

## Instructions for Worksheet IV — Net Interest Deduction for Lenders

**Line 1, column (e)** – Enter the direct expenses incurred in making the loan. Attach additional schedule(s) if necessary.

Examples of direct expenses include:

- Commissions paid to a loan representative;
- Costs incurred in funding the loan; and
- Other costs of the loan.

**Line 2** – Enter the amount from line 2, column (f) on form FTB 3805Z, Side 1, Part III, line 3, and on your California tax return or schedule as follows:

- Form 100, line 15;
- Form 100S, line 12, Form 100S, Schedule K, line 10 and Schedule K-1 (100S), line 10;
- Form 100W, line 15;
- Form 109, Part II, line 24;
- Schedule CA (540), column B, on the applicable line for your business activity;
- Schedule CA (540NR), column B, on the applicable line for your business activity;
- Form 541, line 15a;
- Form 565, Schedule K, line 11 and Schedule K-1 (565), line 11; or
- Form 568, Schedule K, line 11 and Schedule K-1 (568), line 11.

### Worksheet IV Net Interest Deduction for Lenders — Enterprise Zones

	(a) Name and location of business to which loan was made	(b) Date of loan	(c) Amount of loan	(d) Interest received	(e) Direct expenses incurred	(f) Net interest (col. (d) – col. (e))
1						
2	Total. Add the amounts in column (f). See instructions .....					2

## Part V Doing Business Totally Within, Within and Outside an Enterprise Zone, or in More than One Enterprise Zone

EZ tax credits are limited to the tax on business income attributable to operations within the zone. EZ deductions are limited to business income attributable to operations within the EZ. If the business is located totally within, within and outside an EZ, or in more than one EZ, you must determine the portion of total business operations that are attributable to each EZ.

For taxpayers operating in an expired EZ, any EZ credit or net operating loss carryover can be utilized to the extent of business income apportioned to the former EZ.

### Business Income vs. Nonbusiness Income

Only business income is apportioned to the EZ to determine the incentive limitation. EZ tax credits are limited to tax on business income attributable to the operations within the EZ.

Business income is defined as income arising from transactions and activities in the regular course of the trade or business. Business income includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the regular trade or business operations. Nonbusiness income is all income other than business income. Get Title 18 Cal. Code Reg. Section 25120 for further references and examples of nonbusiness income.

For an individual, business income includes but is not limited to California business income or loss from Schedules C, D, D-1 (or federal Form 4797, Sales of Business Property, if you did not have to file a Schedule D-1), E, and F, as well as wages. Be sure to include casualty losses, disaster losses, and any business deductions reported on federal Form 1040, Schedule A as itemized deductions.

In essence, all income which arises from the conduct of trade or business operations of a taxpayer is business income.

**Note:** If you elected to carry back part or all of your current year disaster loss under IRC Section 165(i)(1), do not include the amount of the loss that was carried back in your current year business income for the EZ.

Pass-through entities must report to their shareholders, beneficiaries, partners, and members:

1. The distributive (or pro-rata for S corporations) share of the business income apportioned to the EZ; and
2. The distributive (or pro-rata for S corporations) share of the business capital gains and losses apportioned to the EZ included in item 1.

These items should be reported using the appropriate California schedules listed below:

- Schedule K-1 (100S), line 23;
- Schedule K-1 (541), line 11e;
- Schedule K-1 (565), line 22; or
- Schedule K-1 (568), line 22.

Form 540 and Form 540NR filers who earn wages within the EZ, refer to Worksheet V, Section C to compute business income apportioned to the EZ.

For business entities, including sole proprietors, use Worksheet V, Section A or B to compute business income or loss apportioned to the EZ.

### Apportionment

Business income is apportioned to an EZ by multiplying the total California business income of the taxpayer by a fraction. The numerator is the property factor plus the payroll factor, and the denominator is two. Loss is apportioned to an EZ by multiplying the taxpayer's net business operating loss from all sources by a fraction. The numerator is the property factor plus the payroll factor, and the denominator is two.

#### Property Factor

Property is defined as the average value of all real and tangible personal property owned or rented by the business and used during the taxable year to produce business income.

**Note:** Property is included in the factor if it was available for use during the taxable year.

Property owned by the business is valued at its original cost. **Original cost** is the basis of the property for federal income tax purposes (prior to any federal adjustment) at the time of acquisition by the business, adjusted for subsequent capital additions or improvements and partial dispositions because of sale or exchange. Allowance for depreciation is not considered.

**Rented property** is valued at eight times the net annual rental rate. The net annual rental rate for any item of rented property is the total rent paid for the property, less total annual subrental rates paid by subtenants.

When determining **income** or **loss** apportionment on Worksheet V, Section A or B, the **numerator** of the property factor is the average value of the real and tangible personal property owned or rented by the business and used within the EZ during the taxable year to produce EZ business income (column (b)).

When determining **income** apportionment on Worksheet V, Section A, the **denominator** of the property factor is the total average value of all the taxpayer's real and tangible personal property owned or rented and used during the taxable year within California (column (a)).

When determining **loss** apportionment on Worksheet V, Section B, the **denominator** of the property factor is the total average value of real and tangible personal property owned or rented and used during the year in all business operation locations.

#### Payroll Factor

Payroll is defined as the total amount paid to the business's employees for compensation for the production of business income during the taxable year.

**Compensation** means wages, salaries, commissions, and any other form of remuneration paid directly to employees for personal services.

Payments made to independent contractors or any other person not properly classified as an employee are excluded.

#### Compensation Within the Enterprise Zone

Compensation is considered to be within the EZ if any one of the following tests are met:

1. The employee's services are performed within the geographical boundaries of the EZ; or
2. The employee's services are performed within and outside the EZ, but the services performed outside the EZ are incidental to the employee's service within the EZ.

Incidental means any temporary or transitory service performed in connection with an isolated transaction.

3. If the employee's services are performed within and outside the EZ, the employee's compensation will be attributed to the EZ if:
  - A. The employee's base of operations is within the EZ; or
  - B. There is no base of operations in any other part of the state in which some part of the service is performed, but the place from which the service is directed or controlled is within the EZ; or
  - C. The base of operations or the place from which the service is directed or controlled is not in any other part of the state in which some part of the service is performed but the employee's residence is within the EZ.

**Base of operations** is the permanent place from which employees start work and customarily return in order to receive instruction from the taxpayer or communications from their customers or persons; to replenish stock or other material; to repair equipment; or to perform any other functions necessary in the exercise of their trade or profession at some other point or points.

When determining **income** or **loss** apportionment on Worksheet V, Section A or B, the **numerator** of the payroll factor is the taxpayer's total compensation paid to employees for working within the EZ during the taxable year (column (b)).

When determining **income** apportionment on Worksheet V, Section A, the **denominator** of the payroll factor is the taxpayer's total compensation paid to employees working in California (column (a)).

When determining **loss** apportionment on Worksheet V, Section B, the **denominator** of the payroll factor is the taxpayer's total

compensation paid to employees working in all business operation locations.

**Corporations Which File a Combined Report**  
Business income for each corporation doing business in the EZ will be its business income apportioned to California (see FTB Pub. 1061 for further information on combined reports and entity income apportionment). The EZ property and payroll factors used to determine the EZ income includes only the taxpayer's California amounts in the denominator.

**Example: Computation of EZ income assigned to each entity operating within the EZ**

Parent corporation A has two subsidiaries, B and C. Corporations A and B operate within an EZ. The combined group operates within and outside California and apportions its income to California using Schedule R. Assume the combined group's business income apportioned to California was \$1,000,000 and Corporation A and B's share of business income assigned to California is \$228,000 and \$250,000 respectively. Corporation A and B's

separate EZ and separate California property and payroll factor amounts are shown as follows.

Business income apportioned to the EZ was determined as follows:

	A	B
<b>Property Factor</b>		
EZ		
property	\$1,000,000	\$ 800,000
California property	\$1,000,000	\$1,200,000
<b>Apportionment %</b>	100%	66.66%
<b>Payroll Factor</b>		
EZ		
payroll	\$ 800,000	\$ 800,000
California payroll	\$ 800,000	\$1,000,000
<b>Apportionment %</b>	100%	80%
<b>Average</b>		
<b>Apportionment %</b>	100%	73.33%
(Property + Payroll Factors)		
<sup>2</sup>		
<b>Apportioned</b>		
<b>Business Income</b>	\$ 228,000	\$ 250,000
<b>ENTERPRISE</b>		
<b>ZONE income</b>	\$ 228,000	\$ 183,333

## Instructions for Worksheet V — Apportionment

### Section A – Income Apportionment

Use Worksheet V, Section A, Income Apportionment, to determine the amount of business income apportioned to the zone.

**Note:** If the business operates solely within a single EZ and all its property and payroll are solely within that single EZ, you do not have to complete this worksheet. Enter 100% (1.00) on line 4. The zone business income determines the amount of the tax incentives that can be used.

Only California source business income is apportioned to the EZ. A taxpayer's EZ business income is its California apportioned business income multiplied by the specific EZ apportionment percentage.

The EZ property and payroll factors used in the determination of apportionable business income include only the taxpayer's California amounts in the denominator.

## Worksheet V Enterprise Zones

### Section A Income Apportionment

Use Worksheet V, Section A, if your business has net income from sources within and outside an EZ.

	(a) Total within California	(b) Total within an EZ	(c) Percentage within an EZ (column (b) ÷ column (a))
<b>PROPERTY FACTOR</b>			
1 Average yearly value of owned real and tangible personal property used in the business (at original cost). See instructions for more information. Exclude property not connected with the business and the value of construction in progress.			
Inventory .....			
Buildings .....			
Machinery and equipment .....			
Furniture and fixtures .....			
Delivery equipment .....			
Land .....			
Other tangible assets (attach schedule) .....			
Rented property used in the business.			
See instructions for more information .....			
<b>Total property values</b> .....			
<b>PAYROLL FACTOR</b>			
2 Employees' wages, salaries, commissions, and other compensation related to business income included in the return.			
<b>Total payroll</b> .....			
3 Total percentage (sum of the percentages in column (c))			
4 Average apportionment percentage (1/2 of line 3). Enter here and on form FTB 3805Z, Side 1, line 5 .....			

**Note:** The average apportionment percentage shown on line 4 represents the portion of the taxpayer's total business that is attributable to activities conducted within the EZ. Those factors with zero balances in the totals of column (a) will not be included in the computation of the average apportionment percentage. For example, if the taxpayer does not have any payroll within or outside the EZ, then the average apportionment percentage would be computed by dividing line 3 by one instead of by two as normally instructed.

## Section B – Loss Apportionment

Use Worksheet V, Section B, Loss Apportionment, to determine your net operating loss apportioned to the EZ.

**Note:** If the business operates solely within a single EZ and all its property and payroll are solely within that single EZ, you do not have to complete this worksheet. Enter 100% (1.00) on line 4. A taxpayer's EZ net operating loss is its net business operating loss from all

sources multiplied by the specific EZ apportionment percentage computed in Worksheet V, Section B.

The EZ property and payroll factors used in the determination of the apportioned business net operating loss include worldwide amounts in the denominator.

### Worksheet V Enterprise Zones (continued)

#### Section B Loss Apportionment (For the computation of current year net operating loss only)

Use Worksheet V, Section B, if your business has net losses from sources within and outside an EZ.

	(a) Total within and outside an EZ	(b) Total within an EZ	(c) Percentage within an EZ (column (b) ÷ column (a))
<b>PROPERTY FACTOR</b>			
<b>1</b> Average yearly value of owned real and tangible personal property used in the business (at original cost). See instructions for more information. Exclude property not connected with the business and the value of construction in progress.			
Inventory .....			
Buildings .....			
Machinery and equipment .....			
Furniture and fixtures .....			
Delivery equipment .....			
Land .....			
Other tangible assets (attach schedule) .....			
Rented property used in the business.			
See instructions for more information .....			
<b>Total property values</b> .....			
<b>PAYROLL FACTOR</b>			
<b>2</b> Employees' wages, salaries, commissions, and other compensation related to business income included in the return.			
<b>Total payroll</b> .....			
<b>3</b> Total percentage (sum of the percentages in column (c))			
<b>4</b> Average apportionment percentage (1/2 of line 3). Enter here and on Worksheet VI, Section B, line 4 .....			

**Note:** The average apportionment percentage shown on line 4 represents the portion of the taxpayer's total business that is attributable to activities conducted within the EZ. Those factors with zero balances in the totals of column (a) will not be included in the computation of the average apportionment percentage. For example, if the taxpayer does not have any payroll within or outside the EZ, then the average apportionment percentage would be computed by dividing line 3 by one instead of by two as normally instructed.

## Section C – Income or Loss

Form 540 and Form 540NR filers, use Worksheet V, Section C to determine the amount to enter on:

- Worksheet VI, Section A, line 1;
- Worksheet VI, Section C, line 1 and line 6; and
- Worksheet VII, Part I, line 1 and line 3.

Do not include disaster losses in any amounts used in the table.

Only California source business income is apportioned to the EZ. A taxpayer's EZ business income is its California apportioned business income computed using Schedule R, multiplied by the specific EZ apportionment percentage computed using Worksheet V, Section A.

The first step is to determine which portion of the taxpayer's net income is "business income" and which portion is "nonbusiness income." Only business income may be apportioned to the EZ. See Part V, Doing Business Totally Within, Within and Outside an Enterprise Zone, or in More Than One Enterprise Zone, for a complete discussion of business and nonbusiness income.

Business income or loss reported on federal Schedules C, C-EZ, E, and F, and other schedules are reported on line 6 through line 9. Line 11 and line 12 report business gains or losses reported on Schedule D and Schedule D-1. All business income and losses should be adjusted for any differences between California and federal amounts as shown on the Schedule CA (540 or 540NR).

### Part I Individual Income and Expense Items

#### Wages

Taxpayers with wages from a company located within and outside an EZ must determine the EZ wage income by entering the percentage of the time that they worked within the EZ in column (b) (during the period for which the wages entered on line 1 were earned). This percentage must be determined based on their record of time and events such as a travel log or entries in a daily planner.



## Part II Pass-Through Income or Loss

### Multiple Pass-Through Entities

If you are a shareholder, beneficiary, partner, or member in multiple pass-through entities with businesses located within and outside an EZ from which you received EZ tax incentives, see the following example for computing business income in the EZ.

#### Example:

Pass-through entity	Trade or business income from Schedule K-1 (100S, 541, 565, or 568)	Entity's EZ apportionment percentage	Enterprise zone apportioned income
ABC, Inc.	\$40,000	80%	\$32,000
A, B, & C	30,000	10%	3,000
ABC, LLC	10,000	50%	5,000
<b>Total</b>			<b>\$40,000</b>

## Part III Taxpayer's Trade or Business

### Business Income or Loss

Use business income or loss from federal Form 1040 Schedules C, C-EZ, E, and F, plus California adjustments from Schedule CA (540 or 540NR) for each trade or business. Also include business capital gains and losses from Schedule D and business gains and losses from Schedule D-1.

#### Income Computation

To compute the EZ Income for Worksheet VI, Section C and Worksheet VII, you must complete Worksheet V, Section C. The instructions below refer to Worksheet V, Section C.

#### Located Entirely Within the Enterprise Zone

**Line 6 – Line 9:** If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, or F, or other schedule is entirely within the EZ, enter the income or loss from this activity in column (a), and enter 1.00 in column (b).

**Line 11 and Line 12:** If the gain or loss reported on Schedule D or Schedule D-1 (as adjusted on Schedule CA (540 or 540NR)) was attributed to an asset used in an activity conducted entirely within the EZ, enter the gain or loss reported in column (a), and enter 1.00 in column (b).

#### Located Entirely Within California

**Line 6 – Line 9:** If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, or F, or other schedule is entirely within California, enter the income or loss from this activity in column (a). To determine the apportionment percentage in column (b), complete Worksheet V, Section A. Enter the percentage from Worksheet V, Section A, line 4, column (c) on Worksheet V, Section C, column (b).

**Line 11 and Line 12:** If the gain or loss reported on Schedule D or Schedule D-1 (as adjusted on Schedule CA (540 or 540NR)) was attributed to an asset used in an activity

conducted entirely within California, enter the gain or loss reported in column (a). To determine the apportionment percentage in column (b), complete Worksheet V, Section A. Enter the percentage from Worksheet V, Section A, line 4, column (c) on Worksheet V, Section C, column (b).

#### Located Within and Outside the Enterprise Zone and California

**Line 6 – Line 9:** If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, or F, or other schedule is within and outside the EZ and California, get Schedule R and complete line 1 through line 13b. Enter the amount on Schedule R, line 13b in column (a) of this worksheet. To determine the apportionment percentage in column (b), complete Worksheet V, Section A. Enter the percentage from Worksheet V, Section A, line 4, column (c) on Worksheet V, Section C, column (b).

**Note:** When computing Schedule R, disregard any reference to Form 100, Form 100S, Form 100W, Form 100X, Form 565, or Form 568. Also disregard any reference to Schedule R-3, Schedule R-4, or Schedule R-5, and skip line 11.

Nonresidents that have an apportioning business that operates within the zone should have already computed Schedule R, and can use those amounts when that schedule is referenced. Residents that have an apportioning business will not have completed a Schedule R for California income tax purposes since they are taxed on income from all sources. However, in order for residents to determine their California source business income for purposes of the EZ computation, they must also complete a Schedule R.

**Line 11 and Line 12:** If the gain or loss reported on Schedule D or Schedule D-1 (as adjusted on Schedule CA (540 or 540NR)) was attributed to an asset used in an activity conducted within and outside the EZ and California, get Schedule R and complete Schedule R-1. Multiply the gain or loss reported by the percentage on Schedule R-1, line 5 and enter the result in column (a). To determine the apportionment percentage in column (b), complete Worksheet V, Section A. Enter the percentage from Worksheet V, Section A, line 4, column (c) on Worksheet V, Section C, column (b).

**Line 14 –** If you are computing the EZ NOL and the result on the Income or Loss Worksheet, line 14, column (c) is a **negative** amount, enter this amount on Worksheet VI, Section A, line 1.

**Note:** If the amount is positive, you do not have an EZ NOL.

If you are computing the EZ business income and the result on the Income or Loss Worksheet, line 14, column (c) is a **positive** amount and:

- You have NOL carryovers, enter the amount on Worksheet VI, Section C, line 1 and line 6 (skip line 2 through line 5). Also

enter the amount from the Income or Loss Worksheet, line 14, column (c) on Worksheet VII, Part I, line 1 and line 3 (skip line 2) if you have EZ credits; or

- You do not have NOL carryovers but you do have credits or credit carryovers, enter the amount on Worksheet VII, Part I, line 1 and line 3 (skip line 2).

**Note:** If the amount is negative, you do not have any business income attributed to the EZ and you cannot utilize any EZ NOL carryover, credit(s), or credit carryover(s) in the current taxable year.

#### Loss Computation

To compute the EZ NOL for Worksheet VI, Section A, you must complete Worksheet V, Section C. The instructions below refer to Worksheet V, Section C.

#### Located Entirely Within the Enterprise Zone

**Line 6 – Line 9:** If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, or F, or other schedule is entirely within the EZ, enter the income or loss from this activity in column (a), and enter 1.00 in column (b).

**Line 11 and Line 12:** If the gain or loss reported on Schedule D or Schedule D-1 (as adjusted on Schedule CA (540 or 540NR)) was attributed to an asset used in an activity conducted entirely in the EZ, enter the gain or loss reported in column (a) and enter 1.00 in column (b).

#### Located Within and Outside the Enterprise Zone

**Line 6 – Line 9:** If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, or F, or other schedule is within and outside the EZ, enter the income or loss from this activity in column (a). To determine the apportionment percentage in column (b), complete Worksheet V, Section B. Enter the percentage from Worksheet V, Section B, line 4, column (c) on Worksheet V, Section C, column (b).

**Line 11 and Line 12:** If the gain or loss reported on Schedule D or Schedule D-1 (as adjusted on Schedule CA (540 or 540NR)) was attributed to an asset used in an activity conducted within and outside the EZ, enter the gain or loss reported in column (a). To determine the apportionment percentage in column (b), complete Worksheet V, Section B. Enter the percentage from Worksheet V, Section B, line 4, column (c) on Worksheet V, Section C, column (b).

**Line 14 –** See line 14 under Income Computation.

**Worksheet V Enterprise Zones (continued)****Section C Income or Loss****Part I Individual Income and Expense Items.** See instructions.

	(a) Amount	(b) % of time providing services in the EZ	(c) Apportioned amount (a) x (b)
1 Wages .....			
2 Employee business expenses .....			
3 Subtotal: Enter the total of line 1, column (c) and line 2, column (c), on this line .....			

**Part II Pass-Through Income or Loss.** See instructions.

(a) Name of entity	(b) Distributive or pro-rata share of business income or loss apportioned to the EZ from Schedule K-1 (100S, 541, 565, or 568) including capital gains and losses
4	
5 Subtotal: Enter the total of line 4, column (b), on this line .....	

**Part III Taxpayer's Trade or Business.** See instructions.

	(a) Business income or loss	(b) Apportionment % for the EZ	(c) Apportioned income or loss (a) x (b)
6 Schedule C or C-EZ .....			
7 Schedule E (Rentals) .....			
8 Schedule F .....			
9 Other business income or loss .....			
10 Subtotal: Enter the total of line 6 through line 9, column (c), on this line .....			
	(a) Business gain or loss	(b) Apportionment % for the EZ	(c) Apportioned gain or loss (a) x (b)
11 Schedule D .....			
12 Schedule D-1 .....			
13 Subtotal: Enter the total of line 11, column (c) and line 12, column (c), on this line .....			
14 Total: Enter the total of column (c) for line 3, line 10, and line 13, and line 5, column (b), on this line .....			

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## Part VI Net Operating Loss (NOL) Computation and Loss Limitations

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The EZ net operating loss is allowed for the loss incurred by the taxpayer that is attributed to its business activities in the EZ prior to the expiration of the EZ without regards to the ending date of the taxpayer's taxable year. This loss is calculated by computing the EZ net operating loss as if the EZ had remained in existence the entire year, and then this full year loss is pro-rated based on the number of days the taxpayer operated in the EZ for the tax year, as compared to the total number of days in the tax year.

An NOL generated by a business that operates or invests within an EZ can be carried forward for 15 years but may not be carried back. In addition, up to 100% of the NOL generated in an EZ can be carried forward.

The business cannot generate NOLs from activities within the EZ before the first taxable year beginning on or after the date the EZ is officially designated. See General Information E, Enterprise Zone Designation, for designation dates.

### Limitation

An EZ NOL deduction can offset only business income attributable to operations within the EZ.

### Election

Taxpayers **must** elect and designate the carryover category (general or specific, EZ, LAMBRA, TTA, or Pierce's disease NOL) on the original return for the year of a loss and file form FTB 3805Z for each year in which an NOL deduction is being taken. The election is **irrevocable**.

**Note:** If you elect the EZ NOL deduction, you are prohibited by law from carrying over any other type of NOL from this year.

To determine which type of NOL will provide the greatest benefit, taxpayers that have general or specific, EZ, LAMBRA, TTA, or Pierce's disease NOLs or that may qualify for the special NOL treatment should estimate future income and complete Worksheet VI and the following forms or worksheets if applicable:

- FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Individuals, Estates and Trusts;
- FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations;
- FTB 3805D, Net Operating Loss (NOL) Computation and Limitation — Pierce's Disease
- FTB 3807, Local Agency Military Base Recovery Area Business Booklet, Worksheet V; or
- FTB 3809, Targeted Tax Area Business Booklet, Worksheet V.

### Alternative Minimum Tax

Taxpayers claiming an EZ NOL deduction must determine their NOL for alternative minimum tax purposes. Use Schedule P (100, 100W, 540, 540NR, or 541) to compute the NOL for alternative minimum tax purposes.

### S Corporations

EZ NOLs incurred prior to becoming an S corporation cannot be used against S corporation income. See IRC Section 1371(b).

However, an S corporation is allowed to deduct an EZ NOL incurred after the "S" election is made. An S corporation may use the NOL as a deduction against income subject to the 1.5% entity-level tax (3.5% for financial S corporations). The expenses (and income) giving rise to the loss are also passed through to the shareholders in the year the loss is incurred.

### NOL Carryover Amount – Businesses Operating Totally Within the Zone

For calendar and fiscal year taxpayers with all payroll and property within the EZ, the NOL carryover is determined by computing the business loss that results from business activity in the EZ.

### NOL Carryover Amount – Businesses Operating Within and Outside the Zone

If the business is located within and outside or in more than one EZ, the loss amount available for carryover is determined by apportioning the total business loss of the entity to the EZ pursuant to the provisions of R&TC Chapter 17 (commencing with Section 25101), with certain modifications to the apportioning factors. The apportionment factors include the property and payroll factors, and compare EZ property and payroll to total property and payroll. The loss computation is done on Worksheet VI, Section A for individuals and exempt trusts, and Worksheet VI, Section B for corporations. The apportionment factor calculation is done on Worksheet V, Section B for business entities and Worksheet V, Section C for individuals. The loss carryover is deducted against income apportioned by each business to the EZ in subsequent years. This computation is done on Worksheet VI, Section C.

Corporations that are members of a unitary group filing a combined report must separately compute loss carryover for each corporation in the group (R&TC Section 25108) using their individual apportionment factors.

Unlike the NOL treatment on a federal consolidated return, a loss carryover for one member included in a combined report may not be applied to the intrastate apportioned income of another member included in a combined report.

For water's-edge purposes, each corporation's NOL carryover is limited to the amount determined by recomputing the income and factors of the original worldwide combined reporting group as if the water's-edge election had been in force for the year of the loss. The NOL carryover may not be increased as a result of the recomputation.

## Instructions for Worksheet VI — NOL Computation and Loss Limitations

Individuals and exempt trusts with a current year loss should complete Section A. Corporations with a current year loss should complete Section B. Individuals and corporations with current year income and a prior year NOL carryover should complete Section C.

The EZ net operating loss is allowed for the loss incurred by the taxpayer that is attributed to their activities in the EZ prior to the expiration of the EZ without regards to the ending date of the taxpayer's taxable year. This loss is computed by computing the EZ net operating loss as if the EZ had remained in existence the entire year, and then this full year loss is pro-rated based on the number of days the taxpayer operated in the EZ for the tax year, as compared to the total number of days in the tax year.

### Section A – Computation of Current Year NOL — Individuals and Exempt Trusts

Use this section to compute the EZ NOL to be carried over to future years by individuals and exempt trusts. Complete Section A **only** if you have a current year loss.

You must complete form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Individuals Estates and Trusts, before you can compute the allowable EZ loss.

To compute the EZ NOL, separate business income and deductions from nonbusiness income and deductions. See Part V for a complete discussion of business and nonbusiness income.

### Section B – Computation of Current Year NOL — Corporations

Use this section to compute the NOL to be carried over to future years for corporations. Complete Section B **only** if the corporation has a current year loss.

You must complete form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations, before you can compute the allowable EZ loss.

### Section C – Computation of NOL Carryover and Carryover Limitations — Individuals, Exempt Trusts, and Corporations

Use this section to compute the NOL deduction for individuals, exempt trusts, and corporations to reduce current year income from the EZ.

**Line 1** – See Part V for a discussion of business and nonbusiness income.

**Note to Form 540 and Form 540NR filers:** Be sure to include casualty losses, disaster losses, and any business deductions reported on federal Schedule A as itemized deductions.

**Exception:** If you elected to carry back part or all of your current year disaster loss under IRC Section 165(i)(1), do not include the amount of loss that was carried back in your current year business income for the EZ.

**Line 2** – In modifying your income, deduct your capital losses only up to your capital gains. Enter as a positive number any net capital losses included in line 1.

**Line 3** – Corporations must reduce income by the disaster loss deduction and the deduction for excess net passive income.

**Line 6** – This is your modified taxable income (MTI). You may reduce this amount by your EZ deduction. Your EZ NOL deduction may not be larger than your MTI. If your MTI is a loss in the current year or if it limits the amount of NOL you may use this year, you must carry over the NOL to future years.

**Line 7** – Enter the amount from line 6 in column (d). If this amount is zero or negative, transfer the amounts from line 8 through line 21, column (b) to column (e), and skip to line 22.

**Line 8 through Line 22** – Enter the amounts on line 8 through line 22 as positive numbers.

In column (c), enter the smaller of the amount in column (b) or the amount in column (d) from the previous line.

In column (d), enter the result of subtracting column (c) from the balance on the previous line in column (d).

In column (e), enter the result of subtracting the amount in column (c) from the amount in column (b), as applicable.

**Example:**

(b) Carry-over from prior year	(c) Amount deducted this year	(d) Balance available to offset losses	(e) Enterprise zone NOL carryover
\$ 500	\$ 500	\$5,000	\$ 0

**Line 23** – Enter the amount of your current year NOL. For individuals and exempt trusts, enter the amount from Section A, line 7. For corporations, enter the amount from Section B, line 7.

**Line 24** – Total the amounts in column (b), column (c), and column (e). Enter the totals from line 23, columns (b), (c), and (e) on form FTB 3805Z, Side 1, line 4a, line 4b, and line 4c, accordingly.

Your EZ NOL deduction for 2001 is the total of column (c). Enter this amount on your California tax return or schedule as follows:

- Form 100, line 21;
- Form 100S, line 19;
- Form 100W, line 21;
- Form 109, line 3 or line 11;
- Schedule CA (540), line 21(e), column B; or
- Schedule CA (540NR), line 21(e), column B.

**Worksheet VI Net Operating Loss (NOL) — Enterprise Zones****Section A Computation of Current Year Net Operating Loss — Individuals and Exempt Trusts**

1	Net trade or business loss from all sources. <b>Individuals:</b> Enter the total from the Income or Loss Worksheet, line 14, column (c) as a positive number. For purposes of this worksheet section, do not include any 2001 losses or disaster loss carryovers in line 1. See instructions for definition of business income. <b>Exempt trusts:</b> Enter the amount from Form 109, line 10 .....	1	
2	Total business capital losses included in line 1. Enter as a positive number .....	2	
3	Total business capital gains included in line 1 .....	3	
4	If line 2 is greater than line 3, enter the difference as a positive number; otherwise enter -0- .....	4	
5 a	Subtract line 4 from line 1. If the result is zero or less, do not complete the rest of this section. You do not have a current year NOL from an EZ .....	5a	
If you operate a business in an EZ that has expired, do the following:			
5 b	Enter the number of days you operated a business in an EZ in the taxable year 2001 .....	5b	
c	Enter the number of days in the taxable year 2001 .....	5c	
d	Divide line 5b by line 5c .....	5d	
e	Multiply line 5a by line 5d .....	5e	
6	Enter the amount from form FTB 3805V, Part 1, Section A .....	6	
7	If the EZ in which you operate a business in did not expire this year, enter the smaller of line 5a or line 6. If the enterprise in which you operate a business in expired this year, enter the smaller of line 5e or line 6. Also enter the amount in Section C, line 23, column (d) .....	7	
This is the EZ NOL carryover from 2001 to 2002.			

**Section B Computation of Current Year Net Operating Loss — Corporations****Note:** If you have an EZ NOL and a prior year general NOL, see instructions.

Check the appropriate box to describe your entity type during the year that the NOL was incurred:

☐ C corporation    ☐ S corporation    ☐ Exempt corporation

1	Net loss for state purposes from Form 100, line 18; Form 100W, line 18; Form 100S, combined amounts of line 15 and line 17; or Form 109, line 1. Enter as a positive number. <b>Note:</b> Apportioning corporations, enter the amount from Schedule R, line 12 .....	1	
2 a	2001 disaster relief loss included in line 1. Enter as a positive number .....	2a	
b	Nonbusiness income included in line 1. Enter as a negative number .....	2b	
c	Nonbusiness losses included in line 1. Enter as a positive number .....	2c	
d	Combine line 2a through line 2c .....	2d	
3	Subtract line 2d from line 1. If zero or less, do not complete the rest of this section; the corporation does not have a current year NOL from an EZ .....	3	
4	Enter the average apportionment percentage from Worksheet V, Section B, line 4 .....	4	
5 a	Multiply line 3 by line 4 .....	5	
If you operate a business in an EZ that has expired, do the following:			
5 b	Enter the number of days you operated a business in an EZ in the taxable year 2001 .....	5b	
c	Enter the number of days in the taxable year 2001 .....	5c	
d	Divide line 5b by line 5c .....	5d	
e	Multiply line 5a by line 5d .....	5e	
6	Enter the amount from form FTB 3805Q, Part 1, line 3 .....	6	
7	If the EZ in which you operate a business in did not expire this year, enter the smaller of line 5a or line 6. If the enterprise in which you operate a business in expired this year, enter the smaller of line 5e or line 6. Also enter the amount in Section C, line 23, column (d) .....	7	
This is the EZ NOL carryover from 2001 to 2002.			



**Worksheet VI Net Operating Loss (NOL) – Enterprise Zones (continued)****Section C Computation of NOL Carryover and Carryover Limitations — Individuals, Exempt Trusts, and Corporations.** See instructions.

<b>1</b> Enter the amount from Form 100, line 18; Form 100W, line 18; Form 100S, combined amounts of line 15 and line 17; or Form 109, line 1 or line 10. Form 540 or Form 540NR filers, enter the total from Worksheet V, Section C, line 14, column (c) on line 1 and line 6 (skip line 2 through line 5). See instructions. <b>Note:</b> Corporations filing a combined report, enter the taxpayer's business income assigned to California. See instructions for Part V .....	<b>1</b>		
<b>2 a</b> Form 100, Form 100W, Form 100S, and Form 109 filers: Enter any nonbusiness income included in line 1 as a negative number. Form 540 and Form 540NR filers leave blank .....	<b>2a</b>		
<b>b</b> Form 100, Form 100W, Form 100S, and Form 109 filers: Enter any nonbusiness loss included in line 1 as a positive number. Form 540 and Form 540NR filers leave blank ..	<b>2b</b>		
<b>c</b> Combine line 2a and line 2b .....	<b>2c</b>		
<b>3</b> Form 100 and Form 100W filers: Enter the amount from Form 100, line 22 or Form 100W, line 22. Form 100S filers: Enter the total of the amounts from Form 100S, line 17 and line 20. Form 540, Form 540NR, and Form 109 filers: Enter -0-. Enter this amount as a negative number .....	<b>3</b>		
<b>4</b> Combine line 1, line 2c, and line 3. If zero or less, enter -0- on line 6 .....	<b>4</b>		
<b>5</b> Enter the average apportionment percentage from Worksheet V, Section A, line 4 .....	<b>5</b>		
<b>6</b> Modified taxable income. Multiply line 4 by line 5. See instructions .....	<b>6</b>		

(a) Description	(b) Carryover from Prior Year	(c) Amount Deducted this Year	(d) Balance Available to Offset Losses	(e) EZ NOL Carryover
<b>7</b> Modified taxable income from line 6 .....				
<b>8</b> EZ NOL carryover beginning after October 15, 1986, and ending in 1986 .....				
<b>9</b> EZ NOL carryover beginning in 1987 .....				
<b>10</b> EZ NOL carryover beginning in 1988 .....				
<b>11</b> EZ NOL carryover beginning in 1989 .....				
<b>12</b> EZ NOL carryover beginning in 1990 .....				
<b>13</b> EZ NOL carryover beginning in 1991 .....				
<b>14</b> EZ NOL carryover beginning in 1992 .....				
<b>15</b> EZ NOL carryover beginning in 1993 .....				
<b>16</b> EZ NOL carryover beginning in 1994 .....				
<b>17</b> EZ NOL carryover beginning in 1995 .....				
<b>18</b> EZ NOL carryover beginning in 1996 .....				
<b>19</b> EZ NOL carryover beginning in 1997 .....				
<b>20</b> EZ NOL carryover beginning in 1998 .....				
<b>21</b> EZ NOL carryover beginning in 1999 .....				
<b>22</b> EZ NOL carryover beginning in 2000 .....				
<b>23</b> EZ NOL carryover beginning in 2001 .....				
<b>24</b> Total the amounts in column (b), column (c), and column (e). See instructions .....				

## Part VII Computation of Credit Limitations

### Credit Limitations

The amount of EZ credits you can claim on your California tax return is limited by the amount of tax attributable to EZ business income. Use Worksheet VII on form FTB 3805Z, Side 2 to compute this limitation.

If a taxpayer owns an interest in a disregarded business entity, the amount of the credit that can be utilized is limited to the difference between the taxpayer's regular tax computed with the income of the disregarded entity, and the taxpayer's regular tax computed without the income of the disregarded entity.

Partnerships must allocate the credit among the partners according to the partner's distributive share as determined in a written partnership agreement (R&TC Section 17039(e)(2)).

Credits you are otherwise eligible to claim may be limited. Do not apply credits against the minimum franchise tax (corporations, and S corporations), the annual tax (partnerships, LLCs classified as partnerships, and QSub), the alternative minimum tax (corporations, exempt organizations, individuals, and fiduciaries), the built-in gains tax (S corporations) or the excess net passive income tax (S corporations).

Refer to the credit instructions in your tax booklet for more information.

### S Corporations and the Application of Enterprise Zone Credits

The credits earned by an S corporation may be used to reduce EZ tax at both the corporate and the shareholder levels.

An S corporation may use 1/3 of the EZ credit to reduce the tax on the S corporation's EZ business income. In addition, S corporation shareholders may claim their pro-rata share of the entire amount of the EZ credits computed under the Personal Income Tax Law.

**Example:** In 2001, an S corporation qualified for a \$3,000 EZ hiring credit. The S corporation will be able to use 1/3 of the credit ( $\$3,000 \times 1/3 = \$1,000$ ), to offset the tax on the corporation's EZ business income.

The S corporation will also pass through a \$3,000 credit to its shareholders to offset their individual tax (computed under the Personal Income Tax Law) on EZ income.

S corporations must attach form FTB 3805Z to Form 100S, California S Corporation Franchise or Income Tax Return, to claim the tax credits.

Shareholders should attach Schedule(s) K-1 (100S), Shareholder's Share of Income, Deductions, Credits, etc., to their individual tax return.

### Carryover

If the amount of credit available this year exceeds your tax, you may carry over any excess credit to future years until exhausted. Apply the carryover to the earliest taxable year(s) possible. In no event can the credit be

carried back and applied against a prior year's tax.

For S corporations, the amount of the 1/3 credit that is in excess of the 1.5% entity-level tax (3.5% for financial S corporations) in the current year may also be carried forward and used in future years to offset the S corporation entity-level tax. See the instructions for Worksheet VII, Part III for more information.

### Credit Code Number

You must use credit code number **176** to claim the EZ hiring and sales or use tax credits on your tax return. Using an incorrect code number may cause a delay in allowing the credit(s).

## Instructions for Worksheet VII — Computation of Credits

**Note:** Worksheet VII is on Side 2 of form FTB 3805Z.

### Partnerships and LLCs classified as partnerships

Do not complete Worksheet VII. The partners and members of these types of entities should complete Worksheet VII in order to determine the amount of EZ credits that they may claim on their California tax return. S corporations and their shareholders must complete Worksheet VII.

### Reporting Requirements of S Corporations, Estates, Trusts, Partnerships, and LLCs Classified as Partnerships

- Report to shareholders, beneficiaries, partners, and members, the distributive or pro-rata share of business income, loss, and deductions apportioned to the zone; and
- Separately state any distributive or pro-rata share of business capital gains and losses apportioned to the zone included in the amount above.

### S Corporations

Complete only Part III of this worksheet if your entity-level tax before credits is more than the minimum franchise tax.

**Corporations and S corporations subject to the minimum franchise tax only**  
Complete only Part IV of this worksheet.

### All others

Complete Part I and Part II of this worksheet.

### Part I

**Note:** For filers with NOLs or NOL carryovers.

- Complete Worksheet VI first if you have a current year NOL or an NOL carryover.
- Then complete Worksheet VII if you have any EZ credits.

If you do not have a current year NOL or any NOL carryovers:

- Individuals: Go to Worksheet V, Section C, in Part VI. Follow the instructions there. Enter the amount from Worksheet V, Section C, line 14, column (c) on Worksheet VII, Part I, line 1 and line 3 (skip line 2).

- Corporations: Follow the instructions for line 1 below.

**Line 1** – Enter all trade or business income. See Part V for the definition of business income.

**Line 2** – If your business is located entirely within the EZ, enter 1.

This percentage is the apportionment percentage computed by the entity using Worksheet V, Section A, and represents the percentage of the entity's business attributable to the EZ.

**Line 6a** – Compute the tax as if the EZ taxable income represented all of your taxable income.

**Individuals:** Use the tax table or tax rate schedule in your tax booklet for your filing status.

### Exempt organizations

Use the applicable tax rate in your tax booklet.

### Corporations and S Corporations

Use the applicable tax rate.

### Example: (Determination of Enterprise Zone Income for Shareholders, Partners, or Members of Pass-Through Entities)

John Anderson is vice president of ABC, Inc., an S corporation that has two locations: one in an EZ and one outside an EZ. Eighty percent (80%) of the S corporation's business is attributable to the EZ.

**Note:** This percentage was determined by ABC, Inc. using form FTB 3805Z, Worksheet V, Section A, when ABC's S corporation return (Form 100S) was prepared. John divides his time equally (50/50) between the two offices of ABC, Inc.

Jackie Anderson (John's spouse) works for ABC, Inc. at its office located in the EZ.

John and Jackie Anderson have the following 2001 items of California income and expense:

John's salary from ABC, Inc. . . . .	\$100,000
Jackie's salary from ABC, Inc. . . . .	75,000
Interest on savings account . . . . .	1,000
Dividends . . . . .	3,000
Schedule K-1 (100S) from ABC, Inc.: Ordinary income . . . . .	40,000
EZ business expense deduction . . . . .	(5,000)*

John's unreimbursed employee expenses from federal Schedule A (2,000)

\*The EZ business expense deduction is a separately stated item on Schedule K-1 (100S), line 8.

The Anderson's EZ income (total amount to be reported on line 3) is computed as follows:

John's EZ salary (\$100,000 x 50%) . . . . .	\$50,000
Jackie's EZ salary (\$75,000 x 100%) . . . . .	75,000

Pass-through ordinary income from  
 ABC, Inc. (\$40,000 x 80%) . . . . . 32,000  
 EZ business expense  
 deduction from ABC, Inc. . . . . (5,000)  
 John's unreimbursed  
 employee business  
 expenses (2,000 x 50%) . . . . . (1,000)  
 Total EZ income  
 (Worksheet VII, Part I, line 3) . . \$151,000

**Note:** The standard deduction and personal or dependency exemptions are not included in the computation of EZ income since they are not related to trade or business activities.

John and Jackie must compute the tax (to be entered on Worksheet VII, Part I, line 6a) on the total EZ income of \$151,000 (as if it represents all of their income). Using the tax rate schedule in their tax booklet for filing status married filing joint, the 2001 tax computed on \$151,000 is \$10,348.

**Line 6b – Corporations and S corporations**  
 If the amount on line 6b is the minimum franchise tax (\$800), you cannot use your EZ credits this year. You should complete Part IV of the worksheet to compute the amount of credit carryover.

#### Part II

Use Part II of Side 2 of the form FTB 3805Z if you are a corporation, individual, estate, or trust. Corporations and S corporations that are subject to paying only the minimum franchise tax, go to Part IV.

**Line 8A, column (e) –** Enter the amount from line 7. This is the amount of limitation based on the tax on EZ business income.

**Line 8A, column (f) –** Enter the amount of credit that is used on Schedule P (100, 100W, 540, 540NR, or 541), column (b). The

amount cannot be greater than the amount on line 8A, column (e) or the amount computed on line 8B, column (d). Enter this amount on form FTB 3805Z, Side 1, line 1a.

**Line 8B, column (b) –** Enter the amount of the current year credit that was computed on Worksheet I, Section A, line 6.

**Line 8B, column (c) –** Enter the amount of the total prior year credit carryover. This is the amount of credit that was previously computed on Worksheet I, Section A in the prior year minus the amount that was allowed to be taken on the prior year return.

**Line 8B, column (d) –** Add the amount of the current year credit on line 8B, column (b) and the amount of the total prior year carryover on line 8B, column (c).

**Line 8B, column (e) –** Compare the amounts on line 8A, column (e) and line 8A, column (f). Enter the smaller amount.

**Line 8B, column (g) –** Subtract the amount on line 8B, column (e) from the amount on line 8B, column (d). Enter the result on line 8B, column (g). This is the amount of credit that can be carried over to future years.

**Note:** This carryover includes both the Schedule P (100, 100W, 540, 540NR, or 541) limitation and the limitation based on EZ business income.

**Line 9A, column (e) –** Subtract the amount on line 8B, column (e) from the amount on line 8A, column (e). If the result is zero, your remaining credits are limited and must be carried over to future years. In this case, enter the amount from line 9B, column (d) on line 9B, column (g).

**Line 9A, column (f) –** Enter the amount of credit that is used on Schedule P (100, 100W, 540, 540NR, or 541), column (b). The amount cannot be greater than the amount on line 9A, column (e) or the amount computed on line 9B, column (d). Enter this amount on form FTB 3805Z, Side 1, line 1b.

**Line 9B, column (b) –** Enter the amount of the current year credit that was computed on Worksheet II, line 2, column (c).

**Line 9B, column (c) –** Enter the amount of the total prior year credit carryover. This is the amount of credit that was previously computed on Worksheet II, line 2, column (c) minus the amount that was allowed to be taken on the prior year return.

**Line 9B, column (d) –** Add the amount of the current year credit on line 9B, column (b) and the amount of the total prior year carryover on line 9B, column (c).

**Line 9B, column (e) –** Compare the amounts on line 9A, column (e) and line 9A, column (f). Enter the smaller amount.

**Line 9B, column (g) –** Subtract the amount on line 9B, column (e) from the amount on line 9B, column (d). Enter the result on line 9B, column (g). This is the amount of credit that can be carried over to future years.

**Note:** This carryover includes both the Schedule P (100, 100W, 540, 540NR, or 541) limitation and the limitation based on EZ business income.

#### Example: Part II

Assume the ABC Business has \$8,000 of tax. The business computed a credit limitation based on zone income of \$7,000 on Worksheet VII, line 7. The business has the following credits:

Hiring credit — \$500 and a \$300 carryover from a prior year  
 Sales or use tax credit — \$9,000

Worksheet VII, Part II would be computed as follows:

#### Part II Limitation of Credits for Corporations, Individuals, Estates, and Trusts. See instructions.

	(a) Credit name	(b) Credit amount	(c) Total prior year carryover	(d) Total credit (add col. (b) and col. (c))	(e) Limitation based on zone business income	(f) Used on Schedule P (can never be greater than col. (d) or col. (e))	(g) Carryover (col. (d) minus col. (e))
8	Hiring credit	A			7,000	800	
		B	500	800	800		—0—
9	Sales or use tax credit	A			6,200	6,200	
		B	9,000	9,000	6,200		2,800

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### Part III

Use Part III of Side 2 of the form FTB 3805Z only if you are an S corporation.

**Line 10 and Line 11, column (b)** – Enter the amount of current year credits that were computed on Worksheet I and Worksheet II in column (b) for line 10 and line 11, as applicable. Also enter this amount on Form 100S:

- Schedule C, line 4; and
- Schedule K, line 13.

You may need to adjust your Schedule C (100S) to reflect the EZ tax limitation (Part I, line 7) to your credits after completing this worksheet.

**Line 10 and Line 11, column (c)** – Multiply the amounts on line 10 and line 11, column (b) by 1/3. Enter these amounts in column (c). The amounts in column (c) are the maximum amounts of the current year credits that may be used by the S corporation to offset its 1.5% entity-level tax (3.5% for financial S corporations).

**Line 10 and Line 11, column (d)** – Enter the amounts of total prior year credit carryover. This is the amount of credit that was previously computed on Worksheet I or Worksheet II, minus the amount that was allowed to be taken on the prior year return.

**Line 10 and Line 11, column (e)** – Add the amounts of the current year credits in column (c) and the total prior year carryovers in column (d).

**Line 10 and Line 11, column (f)** – Enter the credit amounts that were used by the S corporation in the current year to offset its 1.5% entity-level tax (3.5% for financial S corporations). Enter the amounts in column (f) for line 10 and line 11 on form FTB 3805Z, Side 1, line 1a and line 1b, as applicable.

**Line 10 and Line 11, column (g)** – Subtract the amount in column (f) for each line from the amounts in column (e). These are the credit amounts that can be carried over to future years and used by the S corporation.

### Part IV

Use Part IV of Side 2 of the form FTB 3805Z if you are a corporation or S corporation subject to paying only the minimum franchise tax.

**Line 12 and Line 13, column (b)** – Enter the amounts of current year credits that were computed on Worksheet I and Worksheet II. **S corporations** may enter only 1/3 of the amounts from Worksheet I and II on line 12, column (b) and line 13, column (b), as applicable.

**Line 12 and Line 13, column (c)** – Enter the amounts of the total prior year credit carryovers. These are the amounts of credits that were previously computed on Worksheet I and Worksheet II in the prior year, minus the amounts that were allowed to be taken on the prior year return. **S corporations** may enter only 1/3 of the amounts from Worksheet I and Worksheet II in the prior year, minus the amounts that were allowed to be taken on the prior year return.

**Line 12 and Line 13, column (d)** – Add the amounts in column (b) and column (c) for line 12 and line 13. These are the credit amounts that can be carried over to future years.

# **Standard Industrial Classification Manual, 1987 Edition (Partial Listing)**

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The Standard Industrial Classification (SIC) Manual is organized using a hierarchical structure, first by division, then by two-digit major groups within each division, then by three-digit industry groups within each major group, and finally by four-digit industry codes within each industry group.

Classification of business activities is based upon establishments, which are defined in the SIC Manual as an economic unit, generally at a single physical location, where business is conducted, or where services or industrial operations are performed. A taxpayer's enterprise may consist of more than one establishment. The SIC Manual provides the following examples of establishments: A factory, mill, store, hotel, movie theater, mine, farm, ranch, bank, railroad depot, airline terminal, sales office, warehouse, or central administrative office. Where distinct and separate economic activities are performed at a single physical location (such as construction activities operated out of the same physical location as a lumber yard), each activity should be treated as a separate establishment where: (1) No one industry description in the SIC Manual includes such combined activities; (2) The employment in each economic activity is significant; and (3) Separate reports are prepared on the number of employees, their wages and salaries, sales or receipts, property and equipment, and other types of financial data, such as financial statements, job costing, and profit center accounting.

For purposes of this publication, SIC Codes 3721, 3724, 3728 and 3812 are listed since only Long Beach taxpayers with establishments in these industry codes qualify for the EZ hiring credit.

The complete Standard Industrial Classification Manual, 1987 Edition, is available for purchase from:

NATIONAL TECHNICAL INFORMATION SERVICE  
5285 PORT ROYAL ROAD  
SPRINGFIELD VIRGINIA 22161  
Order No. PB 87-100012

The manual is also available on the Internet at:

**[www.osha.gov/oshstats/sicser.html](http://www.osha.gov/oshstats/sicser.html)**

**The four-digit industry codes within Division D of the SIC Manual are:**

- 3721 Research and development on aircraft
- 3724 Aircraft Engines and Engine Parts
- 3728 Aircraft Parts and Auxiliary Equipment, not elsewhere classified
- 3812 Search and navigation equipment



## FTB 3805Z

### Codes for Principal Business Activity

This list of principal business activities and their associated codes is designed to classify a business by the type of activity in which it is engaged to facilitate the administration of the California Revenue and Taxation Code. For taxable years beginning on or after January 1, 1998, these principal business activity codes are based on the North American Industry Classification System published by the United States Office of Management and Budget, 1997 Edition.

**Caution:** For purposes of qualifying for the Long Beach Enterprise Zone hiring credit, refer to the Standard Industrial Classification Manual, 1987 Edition. A partial listing of the SIC codes is located on page 23 of this booklet.

#### Agriculture, Forestry, Fishing and Hunting

##### Code

##### Crop Production

- 111100 Oilseed & Grain Farming
- 111210 Vegetable & Melon Farming (including potatoes & yams)
- 111300 Fruit & Tree Nut Farming
- 111400 Greenhouse, Nursery, & Floriculture Production
- 111900 Other Crop Farming (including tobacco, cotton, sugarcane, hay, peanut, sugar beet, & other crop farming)

##### Animal Production

- 112111 Beef Cattle Ranching & Farming
- 112112 Cattle Feedlots
- 112120 Dairy Cattle & Milk Production
- 112210 Hog & Pig Farming
- 112300 Poultry & Egg Production
- 112400 Sheep & Goat Farming
- 112510 Animal Aquaculture (including shellfish & finfish farms & hatcheries)
- 112900 Other Animal Production

##### Forestry and Logging

- 113110 Timber Tract Operations
- 113210 Forest Nurseries & Gathering of Forest Products
- 113310 Logging

##### Fishing, Hunting and Trapping

- 114110 Fishing
- 114210 Hunting & Trapping

##### Support Activities for Agriculture and Forestry

- 115110 Support Activities for Crop Production (including cotton ginning, soil preparation, planting, & cultivating)
- 115210 Support Activities for Animal Production
- 115310 Support Activities for Forestry

##### Mining

- 211110 Oil & Gas Extraction
- 212110 Coal Mining
- 212200 Metal Ore Mining
- 212310 Stone Mining & Quarrying
- 212320 Sand, Gravel, Clay, & Ceramic & Refractory

##### Minerals Mining & Quarrying

- 212390 Other Nonmetallic Mineral Mining & Quarrying
- 213110 Support Activities for Mining

##### Utilities

- 221100 Electric Power Generation, Transmission, & Distribution
- 221210 Natural Gas Distribution
- 221300 Water, Sewage, & Other Systems

#### Construction

##### Code

##### Building, Developing, and General Contracting

- 233110 Land Subdivision & Land Development
- 233200 Residential Building Construction
- 233300 Nonresidential Building Construction

##### Heavy Construction

- 234100 Highway, Street, Bridge, & Tunnel Construction
- 234900 Other Heavy Construction

##### Special Trade Contractors

- 235110 Plumbing, Heating, & Air-Conditioning Contractors
- 235210 Painting & Wall Covering Contractors
- 235310 Electrical Contractors
- 235400 Masonry, Drywall, Insulation, & Tile Contractors
- 235500 Carpentry & Floor Contractors
- 235610 Roofing, Siding, & Sheet Metal Contractors
- 235710 Concrete Contractors
- 235810 Water Well Drilling Contractors
- 235900 Other Special Trade Contractors

#### Manufacturing

##### Food Manufacturing

- 311110 Animal Food Mfg
- 311200 Grain & Oilseed Milling
- 311300 Sugar & Confectionery Product Mfg
- 311400 Fruit & Vegetable Preserving & Specialty Food Mfg
- 311500 Dairy Product Mfg
- 311610 Animal Slaughtering and Processing
- 311710 Seafood Product Preparation & Packaging
- 311800 Bakeries & Tortilla Mfg
- 311900 Other Food Mfg (including coffee, tea, flavorings, & seasonings)

##### Beverage and Tobacco Product Manufacturing

- 312110 Soft Drink & Ice Mfg
- 312120 Breweries
- 312130 Wineries
- 312140 Distilleries
- 312200 Tobacco Manufacturing

##### Textile Mills and Textile Product Mills

- 313000 Textile Mills
- 314000 Textile Product Mills

##### Apparel Manufacturing

- 315100 Apparel Knitting Mills
- 315210 Cut & Sew Apparel Contractors
- 315220 Men's & Boys' Cut & Sew Apparel Mfg

##### Code

- 315230 Women's & Girls' Cut & Sew Apparel Mfg
- 315290 Other Cut & Sew Apparel Mfg
- 315990 Apparel Accessories & Other Apparel Mfg

##### Leather and Allied Product Manufacturing

- 316110 Leather & Hide Tanning & Finishing
- 316210 Footwear Mfg (including rubber & plastics)
- 316990 Other Leather & Allied Product Mfg

##### Wood Product Manufacturing

- 321110 Sawmills & Wood Preservation
- 321210 Veneer, Plywood, & Engineered Wood Product Mfg
- 321900 Other Wood Product Mfg

##### Paper Manufacturing

- 322100 Pulp, Paper, & Paperboard Mills
- 322200 Converted Paper Product Mfg

##### Printing and Related Support Activities

- 323100 Printing & Related Support Activities

##### Petroleum and Coal Products Manufacturing

- 324110 Petroleum Refineries (including integrated)
- 324120 Asphalt Paving, Roofing, & Saturated Materials Mfg
- 324190 Other Petroleum & Coal Products Mfg

##### Chemical Manufacturing

- 325100 Basic Chemical Mfg
- 325200 Resin, Synthetic Rubber, & Artificial & Synthetic Fibers & Filaments Mfg
- 325300 Pesticide, Fertilizer, & Other Agricultural Chemical Mfg
- 325410 Pharmaceutical & Medicine Mfg
- 325500 Paint, Coating, & Adhesive Mfg
- 325600 Soap, Cleaning Compound, & Toilet Preparation Mfg
- 325900 Other Chemical Product & Preparation Mfg

##### Plastics and Rubber Products Manufacturing

- 326100 Plastics Product Mfg
- 326200 Rubber Product Mfg

##### Nonmetallic Mineral Product Manufacturing

- 327100 Clay Product & Refractory Mfg
- 327210 Glass & Glass Product Mfg
- 327300 Cement & Concrete Product Mfg
- 327400 Lime & Gypsum Product Mfg
- 327900 Other Nonmetallic Mineral Product Mfg

##### Primary Metal Manufacturing

- 331110 Iron & Steel Mills & Ferroalloy Mfg
- 331200 Steel Product Mfg from Purchased Steel
- 331310 Alumina & Aluminum Production & Processing
- 331400 Nonferrous Metal (except Aluminum) Production & Processing
- 331500 Foundries

##### Fabricated Metal Product Manufacturing

- 332110 Forging & Stamping
- 332210 Cutlery & Handtool Mfg
- 332300 Architectural & Structural Metals Mfg
- 332400 Boiler, Tank, & Shipping Container Mfg
- 332510 Hardware Mfg
- 332610 Spring & Wire Product Mfg
- 332700 Machine Shops; Turned Product; & Screw, Nut, & Bolt Mfg
- 332810 Coating, Engraving, Heat Treating, & Allied Activities

##### Code

- 332900 Other Fabricated Metal Product Mfg

##### Machinery Manufacturing

- 333100 Agriculture, Construction, & Mining Machinery Mfg
- 333200 Industrial Machinery Mfg
- 333310 Commercial & Service Industry Machinery Mfg
- 333410 Ventilation, Heating, Air-Conditioning, & Commercial Refrigeration Equipment Mfg
- 333510 Metalworking Machinery Mfg
- 333610 Engine, Turbine & Power Transmission Equipment Mfg
- 333900 Other General Purpose Machinery Mfg

##### Computer and Electronic Product Manufacturing

- 334110 Computer & Peripheral Equipment Mfg
- 334200 Communications Equipment Mfg
- 334310 Audio & Video Equipment Mfg
- 334410 Semiconductor & Other Electronic Component Mfg
- 334500 Navigational, Measuring, Electromedical, & Control Instruments Mfg
- 334610 Manufacturing & Reproducing Magnetic, & Optical Media

##### Electrical Equipment, Appliance, and Component Manufacturing

- 335100 Electric Lighting Equipment Mfg
- 335200 Household Appliance Mfg
- 335310 Electrical Equipment Mfg
- 335900 Other Electrical Equipment & Component Mfg

##### Transportation Equipment Manufacturing

- 336100 Motor Vehicle Mfg
- 336210 Motor Vehicle Body & Trailer Mfg
- 336300 Motor Vehicle Parts Mfg
- 336410 Aerospace Product & Parts Mfg
- 336510 Railroad Rolling Stock Mfg
- 336610 Ship & Boat Building
- 336990 Other Transportation Equipment Mfg

##### Furniture and Related Product Manufacturing

- 337000 Furniture & Related Product Manufacturing

##### Miscellaneous Manufacturing

- 339110 Medical Equipment & Supplies Mfg
- 339900 Other Miscellaneous Manufacturing

#### Wholesale Trade

##### Wholesale Trade, Durable Goods

- 421100 Motor Vehicle & Motor Vehicle Parts & Supplies Wholesalers
- 421200 Furniture & Home Furnishing Wholesalers
- 421300 Lumber & Other Construction Materials Wholesalers
- 421400 Professional & Commercial Equipment & Supplies Wholesalers
- 421500 Metal & Mineral (except Petroleum) Wholesalers
- 421600 Electrical Goods Wholesalers
- 421700 Hardware, & Plumbing & Heating Equipment & Supplies Wholesalers
- 421800 Machinery, Equipment, & Supplies Wholesalers
- 421910 Sporting & Recreational Goods & Supplies Wholesalers
- 421920 Toy & Hobby Goods & Supplies Wholesalers
- 421930 Recyclable Material Wholesalers
- 421940 Jewelry, Watch, Precious Stone, & Precious Metal Wholesalers
- 421990 Other Miscellaneous Durable Goods Wholesalers

<b>Code</b>	<b>Code</b>	<b>Code</b>	<b>Code</b>
<b>Wholesale Trade, Nondurable Goods</b>	<b>Clothing and Clothing Accessories Stores</b>	<b>Support Activities for Transportation</b>	<b>Securities &amp; Commodity Exchanges</b>
422100 Paper & Paper Product Wholesalers	448110 Men's Clothing Stores	488100 Support Activities for Air Transportation	523210 Other Financial Investment Activities (including portfolio management & investment advice)
422210 Drugs & Druggists' Sundries Wholesalers	448120 Women's Clothing Stores	488210 Support Activities for Rail Transportation	<b>Insurance Carriers and Related Activities</b>
422300 Apparel, Piece Goods, & Notions Wholesalers	448130 Children's & Infants' Clothing Stores	488300 Support Activities for Water Transportation	524140 Direct Life, Health, & Medical Insurance & Reinsurance Carriers
422400 Grocery & Related Product Wholesalers	448140 Family Clothing Stores	488410 Motor Vehicle Towing	524150 Direct Insurance & Reinsurance (except Life, Health, & Medical) Carriers
422500 Farm Product Raw Material Wholesalers	448150 Clothing Accessories Stores	488490 Other Support Activities for Road Transportation	524210 Insurance Agencies & Brokerages
422600 Chemical & Allied Products Wholesalers	448190 Other Clothing Stores	488510 Freight Transportation Arrangement	524290 Other Insurance Related Activities
422700 Petroleum & Petroleum Products Wholesalers	448210 Shoe Stores	488990 Other Support Activities for Transportation	<b>Funds, Trusts, and Other Financial Vehicles</b>
422800 Beer, Wine, & Distilled Alcoholic Beverage Wholesalers	448310 Jewelry Stores	<b>Couriers and Messengers</b>	525100 Insurance & Employee Benefit Funds
422910 Farm Supplies Wholesalers	448320 Luggage & Leather Goods Stores	492110 Couriers	525910 Open-End Investment Funds (Form 1120-RIC)
422920 Book, Periodical, & Newspaper Wholesalers	<b>Sporting Goods, Hobby, Book, and Music Stores</b>	492210 Local Messengers & Local Delivery	525920 Trusts, Estates, & Agency Accounts
422930 Flower, Nursery Stock, & Florists' Supplies Wholesalers	451110 Sporting Goods Stores	<b>Warehousing and Storage</b>	525930 Real Estate Investment Trusts (Form 1120-REIT)
422940 Tobacco & Tobacco Product Wholesalers	451120 Hobby, Toy, & Game Stores	493100 Warehousing & Storage (except lessors of miniwarehouses & self-storage units)	525990 Other Financial Vehicles
422950 Paint, Varnish, & Supplies Wholesalers	451130 Sewing, Needlework, & Piece Goods Stores	<b>Information</b>	<b>Real Estate and Rental and Leasing</b>
422990 Other Miscellaneous Nondurable Goods Wholesalers	451140 Musical Instrument & Supplies Stores	<b>Publishing Industries</b>	<b>Real Estate</b>
<b>Retail Trade</b>	451211 Book Stores	511110 Newspaper Publishers	531110 Lessors of Residential Buildings & Dwellings
<b>Motor Vehicle and Parts Dealers</b>	451212 News Dealers & Newsstands	511120 Periodical Publishers	531120 Lessors of Nonresidential Buildings (except Miniwarehouses)
441110 New Car Dealers	451220 Prerecorded Tape, Compact Disc, & Record Stores	511130 Book Publishers	531130 Lessors of Miniwarehouses & Self-Storage Units
441120 Used Car Dealers	<b>General Merchandise Stores</b>	511140 Database & Directory Publishers	531190 Lessors of Other Real Estate Property
441210 Recreational Vehicle Dealers	452110 Department stores	511190 Other Publishers	531210 Offices of Real Estate Agents & Brokers
441221 Motorcycle Dealers	452900 Other General Merchandise Stores	511210 Software Publishers	531310 Real Estate Property Managers
441222 Boat Dealers	<b>Miscellaneous Store Retailers</b>	<b>Motion Picture and Sound Recording Industries</b>	531320 Offices of Real Estate Appraisers
441229 All Other Motor Vehicle Dealers	453110 Florists	512100 Motion Picture & Video Industries (except video rental)	531390 Other Activities Related to Real Estate
441300 Automotive Parts, Accessories, & Tire Stores	453210 Office Supplies & Stationery Stores	512200 Sound Recording Industries	<b>Rental and Leasing Services</b>
<b>Furniture and Home Furnishings Stores</b>	453220 Gift, Novelty, & Souvenir Stores	<b>Broadcasting and Telecommunications</b>	532100 Automotive Equipment Rental & Leasing
442110 Furniture Stores	453310 Used Merchandise Stores	513100 Radio & Television Broadcasting	532210 Consumer Electronics & Appliances Rental
442210 Floor Covering Stores	453910 Pet & Pet Supplies Stores	513200 Cable Networks & Program Distribution	532220 Formal Wear & Costume Rental
442291 Window Treatment Stores	453920 Art Dealers	513300 Telecommunications (including paging, cellular, satellite, & other telecommunications)	532230 Video Tape & Disc Rental
442299 All Other Home Furnishings Stores	453930 Manufactured (Mobile) Home Dealers	<b>Information Services and Data Processing Services</b>	532290 Other Consumer Goods Rental
<b>Electronics and Appliance Stores</b>	453990 All Other Miscellaneous Store Retailers (including tobacco, candle, & trophy shops)	514100 Information Services (including news syndicates, libraries, & on-line information services)	532310 General Rental Centers
443111 Household Appliance Stores	<b>Nonstore Retailers</b>	514210 Data Processing Services	532400 Commercial & Industrial Machinery & Equipment Rental & Leasing
443112 Radio, Television, & Other Electronics Stores	454110 Electronic Shopping & Mail-Order Houses	<b>Finance and Insurance</b>	<b>Lessors of Nonfinancial Intangible Assets (except copyrighted works)</b>
443120 Computer & Software Stores	454210 Vending Machine Operators	<b>Depository Credit Intermediation</b>	533110 Lessors of Nonfinancial Intangible Assets (except copyrighted works)
443130 Camera & Photographic Supplies Stores	454311 Heating Oil Dealers	522110 Commercial Banking	<b>Professional, Scientific, and Technical Services</b>
<b>Building Material and Garden Equipment and Supplies Dealers</b>	454312 Liquefied Petroleum Gas (Bottled Gas) Dealers	522120 Savings Institutions	<b>Legal Services</b>
444110 Home Centers	454319 Other Fuel Dealers	522130 Credit Unions	541110 Offices of Lawyers
444120 Paint & Wallpaper Stores	454390 Other Direct Selling Establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)	522190 Other Depository Credit Intermediation	541190 Other Legal Services
444130 Hardware Stores	<b>Transportation and Warehousing</b>	<b>Nondepository Credit Intermediation</b>	<b>Accounting, Tax Preparation, Bookkeeping, and Payroll Services</b>
444190 Other Building Material Dealers	<b>Air, Rail, and Water Transportation</b>	522210 Credit Card Issuing	541211 Offices of Certified Public Accountants
444200 Lawn & Garden Equipment & Supplies Stores	481000 Air Transportation	522220 Sales Financing	541213 Tax Preparation Services
<b>Food and Beverage Stores</b>	482110 Rail Transportation	522291 Consumer Lending	541214 Payroll Services
445110 Supermarkets and Other Grocery (except Convenience) Stores	483000 Water Transportation	522292 Real Estate Credit (including mortgage bankers & originators)	541219 Other Accounting Services
445120 Convenience Stores	<b>Truck Transportation</b>	522293 International Trade Financing	<b>Architectural, Engineering, and Related Services</b>
445210 Meat Markets	484110 General Freight Trucking, Local	522294 Secondary Market Financing	541310 Architectural Services
445220 Fish & Seafood Markets	484120 General Freight Trucking, Long-distance	522298 All Other Nondepository Credit Intermediation	541320 Landscape Architecture Services
445230 Fruit & Vegetable Markets	<b>Transit and Ground Passenger Transportation</b>	<b>Activities Related to Credit Intermediation</b>	541330 Engineering Services
445291 Baked Goods Stores	485110 Urban Transit Systems	522300 Activities Related to Credit Intermediation (including loan brokers)	541340 Drafting Services
445292 Confectionery & Nut Stores	485210 Interurban & Rural Bus Transportation	<b>Securities, Commodity Contracts, and Other Financial Investments and Related Activities</b>	541350 Building Inspection Services
445299 All Other Specialty Food Stores	485310 Taxi Service	523110 Investment Banking & Securities Dealing	
445310 Beer, Wine, & Liquor Stores	485320 Limousine Service	523120 Securities Brokerage	
<b>Health and Personal Care Stores</b>	485410 School & Employee Bus Transportation	523130 Commodity Contracts Dealing	
446110 Pharmacies & Drug Stores	485510 Charter Bus Industry	523140 Commodity Contracts Brokerage	
446120 Cosmetics, Beauty Supplies, & Perfume Stores	485990 Other Transit & Ground Passenger Transportation		
446130 Optical Goods Stores	<b>Pipeline Transportation</b>		
446190 Other Health & Personal Care Stores	486000 Pipeline Transportation		
<b>Gasoline Stations</b>	<b>Scenic &amp; Sightseeing Transportation</b>		
447100 Gasoline Stations (including convenience stores with gas)	487000 Scenic & Sightseeing Transportation		

<p><b>Code</b></p> <p>541360 Geophysical Surveying &amp; Mapping Services</p> <p>541370 Surveying &amp; Mapping (except Geophysical) Services</p> <p>541380 Testing Laboratories</p> <p><b>Specialized Design Services</b></p> <p>541400 Specialized Design Services (including interior, industrial, graphic, &amp; fashion design)</p> <p><b>Computer Systems Design and Related Services</b></p> <p>541511 Custom Computer Programming Services</p> <p>541512 Computer Systems Design Services</p> <p>541513 Computer Facilities Management Services</p> <p>541519 Other Computer Related Services</p> <p><b>Other Professional, Scientific, and Technical Services</b></p> <p>541600 Management, Scientific, &amp; Technical Consulting Services</p> <p>541700 Scientific Research &amp; Development Services</p> <p>541800 Advertising &amp; Related Services</p> <p>541910 Marketing Research &amp; Public Opinion Polling</p> <p>541920 Photographic Services</p> <p>541930 Translation &amp; Interpretation Services</p> <p>541940 Veterinary Services</p> <p>541990 All Other Professional, Scientific, &amp; Technical Services</p> <p><b>Management of Companies (Holding Companies)</b></p> <p>551111 Offices of Bank Holding Companies</p> <p>551112 Offices of Other Holding Companies</p>	<p><b>Code</b></p> <p>561500 Travel Arrangement &amp; Reservation Services</p> <p>561600 Investigation &amp; Security Services</p> <p>561710 Exterminating &amp; Pest Control Services</p> <p>561720 Janitorial Services</p> <p>561730 Landscaping Services</p> <p>561740 Carpet &amp; Upholstery Cleaning Services</p> <p>561790 Other Services to Buildings &amp; Dwellings</p> <p>561900 Other Support Services (including packaging &amp; labeling services, &amp; convention &amp; trade show organizers)</p> <p><b>Waste Management and Remediation Services</b></p> <p>562000 Waste Management &amp; Remediation Services</p> <p><b>Educational Services</b></p> <p>611000 Educational Services (including schools, colleges, &amp; universities)</p> <p><b>Health Care and Social Assistance</b></p> <p><b>Offices of Physicians and Dentists</b></p> <p>621111 Offices of Physicians (except mental health specialists)</p> <p>621112 Offices of Physicians, Mental Health Specialists</p> <p>621210 Offices of Dentists</p> <p><b>Offices of Other Health Practitioners</b></p> <p>621310 Offices of Chiropractors</p> <p>621320 Offices of Optometrists</p> <p>621330 Offices of Mental Health Practitioners (except Physicians)</p> <p>621340 Offices of Physical, Occupational &amp; Speech Therapists, &amp; Audiologists</p> <p>621391 Offices of Podiatrists</p> <p>621399 Offices of All Other Miscellaneous Health Practitioners</p> <p><b>Outpatient Care Centers</b></p> <p>621410 Family Planning Centers</p> <p>621420 Outpatient Mental Health &amp; Substance Abuse Centers</p> <p>621491 HMO Medical Centers</p> <p>621492 Kidney Dialysis Centers</p> <p>621493 Freestanding Ambulatory Surgical &amp; Emergency Centers</p> <p>621498 All Other Outpatient Care Centers</p> <p><b>Medical and Diagnostic Laboratories</b></p> <p>621510 Medical &amp; Diagnostic Laboratories</p> <p><b>Home Health Care Services</b></p> <p>621610 Home Health Care Services</p>	<p><b>Code</b></p> <p><b>Other Ambulatory Health Care Services</b></p> <p>621900 Other Ambulatory Health Care Services (including ambulance services &amp; blood &amp; organ banks)</p> <p><b>Hospitals</b></p> <p>622000 Hospitals</p> <p><b>Nursing and Residential Care Facilities</b></p> <p>623000 Nursing &amp; Residential Care Facilities</p> <p><b>Social Assistance</b></p> <p>624100 Individual &amp; Family Services</p> <p>624200 Community Food &amp; Housing, &amp; Emergency &amp; Other Relief Services</p> <p>624310 Vocational Rehabilitation Services</p> <p>624410 Child Day Care Services</p> <p><b>Arts, Entertainment, and Recreation</b></p> <p><b>Performing Arts, Spectator Sports, and Related Industries</b></p> <p>711100 Performing Arts Companies</p> <p>711210 Spectator Sports (including sports clubs &amp; racetracks)</p> <p>711300 Promoters of Performing Arts, Sports, &amp; Similar Events</p> <p>711410 Agents &amp; Managers for Artists, Athletes, Entertainers, &amp; Other Public Figures</p> <p>711510 Independent Artists, Writers, &amp; Performers</p> <p><b>Museums, Historical Sites, and Similar Institutions</b></p> <p>712100 Museums, Historical Sites, &amp; Similar Institutions</p> <p><b>Amusement, Gambling, and Recreation Industries</b></p> <p>713100 Amusement Parks &amp; Arcades</p> <p>713200 Gambling Industries</p> <p>713900 Other Amusement &amp; Recreation Industries (including golf courses, skiing facilities, marinas, fitness centers, &amp; bowling centers)</p> <p><b>Accommodation and Food Services</b></p> <p><b>Accommodation</b></p> <p>721110 Hotels (except casino hotels) &amp; Motels</p> <p>721120 Casino Hotels</p> <p>721191 Bed &amp; Breakfast Inns</p> <p>721199 All Other Traveler Accommodation</p> <p>721210 RV (Recreational Vehicle) Parks &amp; Recreational Camps</p> <p>721310 Rooming &amp; Boarding Houses</p>	<p><b>Code</b></p> <p><b>Food Services and Drinking Places</b></p> <p>722110 Full-Service Restaurants</p> <p>722210 Limited-Service Eating Places</p> <p>722300 Special Food Services (including food service contractors &amp; caterers)</p> <p>722410 Drinking Places (Alcoholic Beverages)</p> <p><b>Other Services</b></p> <p><b>Repair and Maintenance</b></p> <p>811110 Automotive Mechanical &amp; Electrical Repair &amp; Maintenance</p> <p>811120 Automotive Body, Paint, Interior, &amp; Glass Repair</p> <p>811190 Other Automotive Repair &amp; Maintenance (including oil change &amp; lubrication shops &amp; car washes)</p> <p>811210 Electronic &amp; Precision Equipment Repair &amp; Maintenance</p> <p>811310 Commercial &amp; Industrial Machinery &amp; Equipment (except Automotive &amp; Electronic) Repair &amp; Maintenance</p> <p>811410 Home &amp; Garden Equipment &amp; Appliance Repair &amp; Maintenance</p> <p>811420 Reupholstery &amp; Furniture Repair</p> <p>811430 Footwear &amp; Leather Goods Repair</p> <p>811490 Other Personal &amp; Household Goods Repair &amp; Maintenance</p> <p><b>Personal and Laundry Services</b></p> <p>812111 Barber Shops</p> <p>812112 Beauty Salons</p> <p>812113 Nail Salons</p> <p>812190 Other Personal Care Services (including diet &amp; weight reducing centers)</p> <p>812210 Funeral Homes &amp; Funeral Services</p> <p>812220 Cemeteries &amp; Crematories</p> <p>812310 Coin-Operated Laundries &amp; Drycleaners</p> <p>812320 Drycleaning &amp; Laundry Services (except Coin-Operated)</p> <p>812330 Linen &amp; Uniform Supply</p> <p>812910 Pet Care (except Veterinary) Services</p> <p>812920 Photofinishing</p> <p>812930 Parking Lots &amp; Garages</p> <p>812990 All Other Personal Services</p> <p><b>Religious, Grantmaking, Civic, Professional, and Similar Organizations</b></p> <p>813000 Religious, Grantmaking, Civic, Professional, &amp; Similar Organizations</p>
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2001

Enterprise Zone  
Deduction and Credit Summary

3805Z

Attach to your California tax return.

Social security or California corporation number

Name(s) as shown on return

FEIN

Secretary of State file number

## A. Check the appropriate box for your entity type:

- ☐ Individual    ☐ Estate    ☐ Trust    ☐ C corporation    ☐ S corporation    ☐ Partnership  
☐ Exempt organization    ☐ Limited liability company    ☐ Limited liability partnership

## B. Enter the name of the enterprise zone business: \_\_\_\_\_

## C. Enter the address (actual location) where the enterprise zone business is conducted: \_\_\_\_\_

## D. Enter the name of the enterprise zone in which the business and/or investment activity is located. See General Information C, Enterprise Zone Designation. \_\_\_\_\_

E. Principal Business Activity Code number of the enterprise zone business .....  
Enter the six-digit number from the Principal Business Activity Code from the chart. For the Long Beach Enterprise Zone, enter the four-digit Standard Industrial Classification (SIC) code number from the chart.

## F. Total number of employees in the enterprise zone ..... 1

## G. Number of employees included in the computation of the hiring credit, if claimed ..... 2

## H. Number of new employees included in the computation of the hiring credit, if claimed ..... 3

## I. Gross annual receipts of the business ..... 4

## J. Total asset value of the business ..... 5

## Part I Credits Used

## 1 Hiring and sales or use tax credits claimed on the current year return:

a Hiring credit from Worksheet VII, line 8A, column (f) or line 10, column (f) ..... 1

b Sales or use tax credit from Worksheet VII, line 9A, column (f) or line 11, column (f) ..... 2

Add line 1a and line 1b ..... 3

**Note:** To compute the amount of credits to carry over, complete Worksheet VII on Side 2.

## Part II Business Expense Deduction for Equipment Purchases

2 Enter the cost of qualified property purchased for the enterprise zone that is being deducted as a current year business expense from Worksheet III, Section A, line 5, column (b) ..... 2

**ELECTION:** The act of deducting a portion of the cost of any property as a current year expense rather than adding it to the capital account constitutes an election to treat that property in accordance with R&TC Sections 17267.2 or 24356.7. That election may not be revoked except with the written consent of the Franchise Tax Board (FTB).

## Part III Net Interest Deduction for Lenders

3 Enter the amount of net interest received on loans to businesses located in the enterprise zone from Worksheet IV, line 2, column (f) ..... 3

## Part IV Net Operating Loss (NOL) Carryover and Deduction

4 a Enter the enterprise zone NOL carryover from prior years from Worksheet VI, Section C, line 24, column (b) ..... 4a

b Enter the total enterprise zone NOL deduction used in the current year from Worksheet VI, Section C, line 24, column (c).  
Enter this amount on Schedule CA (540 or 540NR), line 21e, column B; Form 100, line 21; Form 100W, line 21;  
Form 100S, line 19; or Form 109, line 3 or line 11 ..... 4b

c Enter the enterprise zone NOL carryover to future years from Worksheet VI, Section C, line 24, column (e) ..... 4c

**ELECTION:** For those taxpayers eligible for an NOL carryover under R&TC Sections 17276.2, 17276.4, 17276.5, 17276.6, 24416.2, 24416.4, 24416.5, or 24416.6, the act of claiming an NOL carryover on this form constitutes the irrevocable election to apply the loss under R&TC Sections 17276.2 or 24416.2, for taxpayers operating a trade or business within the enterprise zone. If you elect to carry over an NOL under the enterprise zone provisions, you cannot carry over any other type and amount of NOL from this year.

## Part V Portion of Business Attributable to the Enterprise Zone

5 Enter the average apportionment percentage of your business that is in the enterprise zone from Worksheet V, Section A, line 4.  
If your operation is wholly within the enterprise zone, the average apportionment percentage is 100% (1.00). ..... 5

**Part VI Recapture of Deduction and Credits**

6	EZ recapture of hiring credit from Worksheet I, Section B, line 2, column (b) .....	6
7	Recapture of business expense deduction from Worksheet III, Section B, line 2, column (b) .....	7

**Worksheet VII Computation of Credit Limitations — Enterprise Zones****Part I Computation of Credit Limitations.** See instructions.

1	Trade or business income. <b>Individuals:</b> Enter the amount from the Worksheet V, Section C, line 14, column (c) on this line and on line 3 (skip line 2). See instructions. <b>Note:</b> Corporations filing a combined report, enter the taxpayer's business income apportioned to California. See instructions for Part V .....	1	
2	<b>Corporations:</b> Enter the average apportionment percentage from Worksheet V, Section A, line 4. See instructions .....	2	
3	Multiply line 1 by line 2 .....	3	
4	Enter the enterprise zone NOL deduction from Worksheet VI, Section C, line 24, column (c) .....	4	
5	Enterprise zone taxable income. Subtract line 4 from line 3 .....	5	
6	a Compute the amount of tax due using the amount on line 5. See instructions .....	6a	
	b Enter the amount of tax from Form 540, line 24; Form 540NR, line 27; Form 541, line 21; Form 100, line 24; Form 100W, line 24; Form 100S, line 22; or Form 109, line 7 or line 15. Corporations and S corporations, see instructions ..	6b	
7	Enter the smaller of line 6a or line 6b. This is the limitation based on the enterprise zone business income. Go to Part II, Part III, or Part IV. See instructions .....	7	

**Part II Limitation of Credits for Corporations, Individuals, Estates, and Trusts.** See instructions.

(a) Credit name	(b) Credit amount	(c) Total prior year carryover	(d) Total credit (add col. (b) and col. (c))	(e) Limitation based on EZ business income	(f) Used on Schedule P (can never be greater than col. (d) or col. (e))	(g) Carryover (col. (d) minus col. (e))
8 Hiring credit	A					
	B					
9 Sales or use tax credit	A					
	B					

**Part III Limitation of Credits for S corporations Only.** See instructions.

(a) Credit name	(b) Credit amount	(c) S corporation credit (multiply col. (b) by 1/3)	(d) Total prior year carryover	(e) Total credit (add col. (c) and col. (d))	(f) Credit used this year by S corporation	(g) Carryover (col. (e) minus col. (f))
10 Hiring credit						
11 Sales or use tax credit						

**Part IV Limitation of Credits for Corporations and S corporations Subject to Paying Only the Minimum Franchise Tax.** See instructions.

(a) Credit name	(b) Credit amount	(c) Total prior year carryover	(d) Total credit carryover (add col. (b) and col. (c))
12 Hiring credit			
13 Sales or use tax credit			

2001

Enterprise Zone  
Deduction and Credit Summary

3805Z

Attach to your California tax return.

Social security or California corporation number

Name(s) as shown on return

FEIN

Secretary of State file number

## A. Check the appropriate box for your entity type:

- ☐ Individual    ☐ Estate    ☐ Trust    ☐ C corporation    ☐ S corporation    ☐ Partnership  
☐ Exempt organization    ☐ Limited liability company    ☐ Limited liability partnership

## B. Enter the name of the enterprise zone business:

## C. Enter the address (actual location) where the enterprise zone business is conducted:

## D. Enter the name of the enterprise zone in which the business and/or investment activity is located. See General Information C, Enterprise Zone Designation.

E. Principal Business Activity Code number of the enterprise zone business .....  
Enter the six-digit number from the Principal Business Activity Code from the chart. For the Long Beach Enterprise Zone, enter the four-digit Standard Industrial Classification (SIC) code number from the chart.

## F. Total number of employees in the enterprise zone .....

## G. Number of employees included in the computation of the hiring credit, if claimed .....

## H. Number of new employees included in the computation of the hiring credit, if claimed .....

## I. Gross annual receipts of the business .....

## J. Total asset value of the business .....

## Part I Credits Used

## 1 Hiring and sales or use tax credits claimed on the current year return:

a Hiring credit from Worksheet VII, line 8A, column (f) or line 10, column (f) .....

b Sales or use tax credit from Worksheet VII, line 9A, column (f) or line 11, column (f) .....

Add line 1a and line 1b ..... 1

Note: To compute the amount of credits to carry over, complete Worksheet VII on Side 2.

## Part II Business Expense Deduction for Equipment Purchases

2 Enter the cost of qualified property purchased for the enterprise zone that is being deducted as a current year business expense from Worksheet III, Section A, line 5, column (b) ..... 2

**ELECTION:** The act of deducting a portion of the cost of any property as a current year expense rather than adding it to the capital account constitutes an election to treat that property in accordance with R&TC Sections 17267.2 or 24356.7. That election may not be revoked except with the written consent of the Franchise Tax Board (FTB).

## Part III Net Interest Deduction for Lenders

3 Enter the amount of net interest received on loans to businesses located in the enterprise zone from Worksheet IV, line 2, column (f) ..... 3

## Part IV Net Operating Loss (NOL) Carryover and Deduction

4 a Enter the enterprise zone NOL carryover from prior years from Worksheet VI, Section C, line 24, column (b) ..... 4a

b Enter the total enterprise zone NOL deduction used in the current year from Worksheet VI, Section C, line 24, column (c).  
Enter this amount on Schedule CA (540 or 540NR), line 21e, column B; Form 100, line 21; Form 100W, line 21;  
Form 100S, line 19; or Form 109, line 3 or line 11 ..... 4b

c Enter the enterprise zone NOL carryover to future years from Worksheet VI, Section C, line 24, column (e) ..... 4c

**ELECTION:** For those taxpayers eligible for an NOL carryover under R&TC Sections 17276.2, 17276.4, 17276.5, 17276.6, 24416.2, 24416.4, 24416.5, or 24416.6, the act of claiming an NOL carryover on this form constitutes the irrevocable election to apply the loss under R&TC Sections 17276.2 or 24416.2, for taxpayers operating a trade or business within the enterprise zone. If you elect to carry over an NOL under the enterprise zone provisions, you cannot carry over any other type and amount of NOL from this year.

## Part V Portion of Business Attributable to the Enterprise Zone

5 Enter the average apportionment percentage of your business that is in the enterprise zone from Worksheet V, Section A, line 4. If your operation is wholly within the enterprise zone, the average apportionment percentage is 100% (1.00). ..... 5

**Part VI Recapture of Deduction and Credits**

6	EZ recapture of hiring credit from Worksheet I, Section B, line 2, column (b)	6
7	Recapture of business expense deduction from Worksheet III, Section B, line 2, column (b)	7

**Worksheet VII Computation of Credit Limitations — Enterprise Zones**
**Part I Computation of Credit Limitations.** See instructions.

1	Trade or business income. <b>Individuals:</b> Enter the amount from the Worksheet V, Section C, line 14, column (c) on this line and on line 3 (skip line 2). See instructions. <b>Note:</b> Corporations filing a combined report, enter the taxpayer's business income apportioned to California. See instructions for Part V	1
2	<b>Corporations:</b> Enter the average apportionment percentage from Worksheet V, Section A, line 4. See instructions	2
3	Multiply line 1 by line 2	3
4	Enter the enterprise zone NOL deduction from Worksheet VI, Section C, line 24, column (c)	4
5	Enterprise zone taxable income. Subtract line 4 from line 3	5
6	a Compute the amount of tax due using the amount on line 5. See instructions	6a
	b Enter the amount of tax from Form 540, line 24; Form 540NR, line 27; Form 541, line 21; Form 100, line 24; Form 100W, line 24; Form 100S, line 22; or Form 109, line 7 or line 15. Corporations and S corporations, see instructions	6b
7	Enter the smaller of line 6a or line 6b. This is the limitation based on the enterprise zone business income. Go to Part II, Part III, or Part IV. See instructions	7

**Part II Limitation of Credits for Corporations, Individuals, Estates, and Trusts.** See instructions.

(a) Credit name	(b) Credit amount	(c) Total prior year carryover	(d) Total credit (add col. (b) and col. (c))	(e) Limitation based on EZ business income	(f) Used on Schedule P (can never be greater than col. (d) or col. (e))	(g) Carryover (col. (d) minus col. (e))
8 Hiring credit	A					
	B					
9 Sales or use tax credit	A					
	B					

**Part III Limitation of Credits for S corporations Only.** See instructions.

(a) Credit name	(b) Credit amount	(c) S corporation credit (multiply col. (b) by 1/3)	(d) Total prior year carryover	(e) Total credit (add col. (c) and col. (d))	(f) Credit used this year by S corporation	(g) Carryover (col. (e) minus col. (f))
10 Hiring credit						
11 Sales or use tax credit						

**Part IV Limitation of Credits for Corporations and S corporations Subject to Paying Only the Minimum Franchise Tax.** See instructions.

(a) Credit name	(b) Credit amount	(c) Total prior year carryover	(d) Total credit carryover (add col. (b) and col. (c))
12 Hiring credit			
13 Sales or use tax credit			

# How to Get California Tax Information

(Keep This Page For Future Use)

## Your Rights as a Taxpayer

Our goal at the Franchise Tax Board (FTB) is to make certain that your rights are protected so that you will have the highest confidence in the integrity, efficiency, and fairness of our state tax system. FTB Publication 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program, and how you can request written advice from the FTB on whether a particular transaction is taxable. See "Where to Get Tax Forms and Publications" below.

## Where to Get Tax Forms and Publications

**By Internet** – You can download, view, and print California tax forms and publications. Go to our Website at: [www.ftb.ca.gov](http://www.ftb.ca.gov)

Other state agencies' information can be accessed through the State Agency Index located on the California State Website at: [www.ca.gov](http://www.ca.gov).

**By phone** – To order California tax forms, publications, and current year federal booklets, call our automated phone service. To order a form:

- Refer to the list in your tax booklet and find the code number for the form you want to order.
- Call (800) 338-0505 and follow the instructions.

Please allow two weeks to receive your order. If you live outside California, please allow three weeks to receive your order.

**In person** – Many libraries, post offices, and banks provide free California personal income tax booklets during the filing season. Most libraries and some quick print businesses have forms and schedules for you to photocopy (a nominal fee may apply.) **Note:** Employees at libraries, post offices, banks, and quick print businesses cannot provide tax information or assistance.

**By mail** – Write to:

TAX FORMS REQUEST UNIT  
FRANCHISE TAX BOARD  
PO BOX 307  
RANCHO CORDOVA CA 95741-0307

## Letters

If you write to us, be sure your letter includes your FEIN, Secretary of State file number, California corporation number, or social security number, your daytime and evening telephone numbers, and a copy of the notice (if applicable). Send your letter to:

PROFESSIONAL RESOURCES AND  
EDUCATION SECTION MS F-228  
FRANCHISE TAX BOARD  
PO BOX 1468  
SACRAMENTO CA 95812-1468

We will respond to your letter within six weeks. In some cases, we may need to call you for additional information. Do not attach correspondence to your tax return unless the correspondence relates to an item on your return.

## General Toll-Free Phone Service

Our general toll-free phone service is available:

- Monday – Friday, 7 a.m. until 8 p.m.; and
- Saturdays, 8 a.m. until 5 p.m.

**Note:** We may modify these hours without notice to meet operational needs.

From within the  
United States . . . . . (800) 852-5711  
From outside the  
United States . . . . . (916) 845-6500  
(not toll-free)

**Assistance for persons with disabilities:**  
The FTB complies with the Americans with Disabilities Act. Persons with a hearing or speech impairment, call:

From voice phone . . . . . (800) 735-2922  
(California Relay Service)  
From TTY/TDD . . . . . (800) 822-6268  
(Direct line to FTB customer service)

For all other assistance or special accommodations, call (800) 852-5711.

**For federal tax questions:**  
Call the IRS at . . . . . (800) 829-1040

### Asistencia bilingüe en español

Para obtener servicios en español y asistencia para completar su declaración de impuestos/formularios, llame al número de teléfono (anotado arriba) que le corresponde.

## Geographic Boundaries

Further information about geographic boundaries of the enterprise zones is available from:

ENTERPRISE ZONE PROGRAMS  
CALIFORNIA TECHNOLOGY, TRADE AND  
COMMERCE AGENCY  
801 K STREET SUITE 1700  
SACRAMENTO CA 95814  
Telephone: (916) 324-8211  
FAX: (916) 322-7214  
Website: [www.commerce.ca.gov](http://www.commerce.ca.gov)

## Economic Development Area (Information Only)

Further information about the enterprise zone tax incentives is available from:

FRANCHISE TAX BOARD  
Telephone: (916) 845-3464  
FAX: (916) 845-6791  
Website: [www.ftb.ca.gov](http://www.ftb.ca.gov)





# Automated Toll-Free Phone Service

(Keep This Page For Future Use)

Our automated toll-free phone service is available 24 hours a day, 7 days a week, in English and Spanish to callers with touch-tone telephones. To order business entity forms, the automated service is available from 6 a.m. to 8 p.m. Monday through Friday, except state holidays, and Saturdays from 6 a.m. to 4 p.m. You can:

- Order California tax forms and publications and individual current year federal booklets;
- Get current year tax refund information;
- Get balance due and payment information; and
- Hear recorded answers to many of your questions about California taxes.

Have paper and pencil ready to take notes.

Call from within the

United States ..... (800) 338-0505  
Call from outside the  
United States ..... (916) 845-6600  
(not toll-free)

## Current Year Personal Income Tax Refund Information

You should wait at least eight weeks after you file your tax return before you call to find out about your refund. You will need your social security number, the numbers in your street address, box number, or route number, and your ZIP Code to use this service. Refund status information is available 24 hours a day, 7 days a week. Call our automated phone service, select personal income tax information, then refund information, and follow the recorded instructions.

## Personal Income Tax Balance Due and Payment Information

You should wait at least 45 days from the date you mailed your payment before you call to verify receipt of your payment. You will need your social security number, the numbers in your street address, box number, or route number, and your ZIP Code to use this service. Balance due and payment information is available 24 hours a day, 7 days a week.

## Answers To Tax Questions

Recorded answers to your tax questions are available 24 hours a day, 7 days a week. To receive answers to any of the following questions, call our automated phone service, select either personal income tax or business entity tax information, then general information, and enter the three-digit code when instructed to do so.

## Personal Income Tax Information

### Code Filing Assistance

- 100 – Do I need to file a return?
- 111 – Which form should I use?
- 112 – How do I file electronically and get a fast refund?
- 200 – Where can I pick up a form today?
- 201 – How can I get an extension to file?
- 203 – What is and how do I qualify for the nonrefundable renter's credit?
- 204 – I never received a Form W-2. What do I do?
- 205 – I have no withholding taken out. What do I do?
- 206 – Do I have to attach a copy of my federal return?
- 207 – Should I file my return even though I do not have the money to pay?
- 208 – How do I figure my current estimated tax payments?
- 209 – I lived in California for part of the year. Do I have to file a return?
- 210 – I do not live in California. Why do I have to file a return?
- 211 – How do I figure my IRA deduction?
- 212 – How do I claim my disaster related loss?
- 215 – Who qualifies me to use the head of household filing status?
- 216 – I'm due a refund. Do I still need to file a return?
- 217 – I am currently/was in the military. Do I have to file a California return?

- 218 – I'm in the military. Do I have to use the same filing status as federal?
- 219 – I sold my personal residence. How do I report the sale to California?
- 220 – There is no difference in my state and federal depreciation, business income, and capital gain income. What do I do?
- 221 – What is community property?
- 222 – How much can I deduct for vehicle license fees?
- 227 – How do I get a refund of excess SDI?
- 239 – Where can I get help with preparing and filing my income tax return?
- 240 – Does a tax return have to be filed for a deceased taxpayer?

### Refunds

- 300 – My spouse has passed away. You sent a refund with both our names on it. What do I do?
- 301 – I got a letter saying you sent my refund to another agency. Why?

### Penalties

- 400 – I have an extension of time to file my return. Why did I get a penalty?
- 401 – I filed my return on time. Why did I get a penalty?
- 402 – How can I protest a penalty?
- 403 – What is the estimate penalty rate?

### Notices and Bills

- 500 – I received a bill and I cannot pay it in full. What do I do?
- 501 – Why didn't you give me credit for my withholding?
- 502 – You didn't give me credit for my dependent. What do I do?
- 504 – I'm head of my house. Why was I denied head of household filing status?
- 506 – How do I get information about my Form 1099-G?
- 508 – I received a notice that didn't show all payments made. How do I get credit for them?

### Tax For Children

- 601 – Can my child take a personal exemption credit when I claim her or him as a dependent on my return?
- 602 – Federal law limits the standard deduction. Is the state law the same?

### Miscellaneous

- 610 – Can I pay my taxes with a credit card?
- 611 – What address do I send my payment to?
- 612 – I mailed my return and haven't heard anything. Should I send a copy of my return?
- 613 – I forgot to attach my Form(s) W-2 when I mailed my return. What do I do?
- 614 – I forgot to attach a copy of my federal return. What do I do?
- 615 – How do I get a copy of my state tax return?
- 616 – What should I do if my federal tax return was examined and changed by the IRS?
- 617 – What are the current interest rates?
- 619 – How do I report a change of address?

## Business Entity Tax Information

### Code Filing Assistance

- 715 – If my corporation's actual tax is less than the minimum franchise tax, what figure do I put on line 23 of Form 100 or line 23 of Form 100W?
- 717 – What are the tax rates for corporations?
- 718 – How do I get an extension of time to file?
- 722 – When does my corporation I have to file a short-period return?
- 734 – Is my corporation subject to the franchise tax or income tax?
- S Corporations**
- 704 – Is an S corporation subject to the minimum franchise tax?

- 705 – Are S corporations required to file estimated payments?
- 706 – What forms do S corporations file?
- 707 – The tax for my S corporation is less than the minimum franchise tax. What figure do I put on line 22 of Form 100S?
- 708 – Where do S corporations make adjustments for state and federal law differences on Schedule K-1 (100S) and where do nonresident shareholders get their California source income from their Schedule K-1 (100S)?

### Exempt Organizations

- 709 – How do I get tax-exempt status?
- 710 – Does an exempt organization have to file Form 199?
- 735 – How can an exempt organization incorporate without paying corporation fees and costs?
- 736 – I have exempt status. Do I need to file Form 100 or Form 109 in addition to Form 199?

### Minimum Tax and Estimate Tax

- 712 – What is the minimum franchise tax?
- 714 – My corporation is not doing business; does it have to pay the minimum franchise tax?
- 716 – When are my corporation estimated tax payments due?

### Billings and Miscellaneous Notices

- 723 – I received a bill for \$250. What is this for?
- 728 – Why was my corporation suspended?
- 729 – Why is my subsidiary getting a request for a return when we filed a combined report?

### Tax Clearance

- 724 – How do I dissolve my corporation?
- 725 – What do I have to do to get a tax clearance?
- 726 – How long will it take to get a tax clearance certificate?
- 727 – My corporation was suspended/forfeited. Can I still get a tax clearance?

### Miscellaneous

- 617 – What are the current interest rates?
- 700 – Who do I need to contact to start a business?
- 701 – I need a state ID number for my business. Who do I contact?
- 702 – Can you send me an employer's tax guide?
- 703 – How do I incorporate?
- 719 – How do I properly identify my corporation when dealing with the Franchise Tax Board?
- 720 – How do I obtain information about changing my corporation's name?
- 721 – How does my corporation change its accounting period?
- 737 – Where do I send my payment?
- 738 – What is electronic funds transfer?
- 739 – How do I get a copy of my state corporation or partnership tax return?
- 740 – What requirements do I have to report municipal bond interest paid by a state other than California?
- 750 – How do I organize or register an LLC?
- 751 – How do I cancel the registration of my LLC?
- 752 – What tax forms do I use to file as an LLC?
- 753 – When is the annual tax payment due?
- 754 – What extension voucher do I use to pay the LLC fee and/or member tax?
- 755 – Where does an LLC send its tax payments?
- 756 – As an LLC I never did any business or even opened a door, bank account, or anything. Why do I owe the \$800 annual tax?
- 757 – How are the LLC fees calculated?
- 758 – If a corporation converted to an LLC during the current year, is the corporation liable for the tax as a corporation and an LLC tax/fee in the same year?
- 759 – If I have nonresident members and cannot get all their signatures on the consent release form, can I still file the return?